

Dust to Diamonds: How Botswana Escaped the Resource Curse

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Declaration

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Abstract

This thesis seeks to explain why the resource curse did not take hold in Botswana despite its diamond deposits. Drawing on a case study of Botswana, the thesis uses a historical institutional approach (state centralisation, the rule of law and property rights) and found that a significant degree of state centralisation and inclusive institutions – as evidenced through enforcement of law and property rights – laid the foundation for the Botswana Democratic Party (BDP) to emerge at independence as a centralised authority. It was this authority which aided Botswana in its successful management of diamonds, thereby escaping the resource curse.

Opsomming

In hierdie tesis word uiteengesit waarom die vloek op hulpbronne nie ten spyte van die diamantneerslae in Botswana vastrapplek gekry het nie. Op grond van 'n gevallestudie van Botswana, gebruik die proefskrif 'n historiese institusionele benadering (staatsentralisasie, die oppergesag van die reg en eiendomsreg). Daar is bevind dat 'n beduidende mate van staatsentralisasie en inklusiewe instellings – soos blyk uit die handhawing van wetgewing en eiendomsreg – die grondslag vir die Botswana Demokratiese Party (BDP) gelê het om na onafhanklikheid as 'n gesentraliseerde owerheid na vore te kom. Dit was hierdie owerheid wat Botswana bygestaan het in die suksesvolle bestuur van diamante en sodoende die hulpbronnvloek vrygespring het.

Dedication

To my grandparents, who have walked with me through this process and taught me never to give up.

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Table of Contents

Chapter 1: Introduction

1.1 Background.....	1
1.2 Research Question.....	2
1.3 Purpose of Study.....	2
1.4 Preliminary Contextualisation.....	3
1.5 Research Design and Methodology.....	5
1.6 Limitations.....	6
1.7 Outline.....	7
1.7.1 Literature Review.....	7
1.7.2 Analytical Framework.....	7
1.7.3 Emergence of a Central Authority and Inclusive Institutions.....	7
1.7.4 Consolidation of Power Under the BDP.....	8
1.7.5 Impact of Institutional Development and Management of Diamond Revenue.....	8
1.7.6 Conclusion.....	9

Chapter 2: Literature Review

2.1 Introduction.....	10
2.2 Resources are Good Prior to the 1980s.....	10
2.3 Resources are Bad After 1980.....	11
2.4 Dutch Disease.....	13
2.5 Defining the Resource Curse.....	15
2.6 Resource Curse Analysis.....	16
2.6.1 Resources Lead to Poor Economic Performance.....	17
2.6.2 Resources Lead to Conflict and Civil War.....	19
2.6.2.1 Onset of Civil War and Resource Abundance.....	22
2.6.2.2 Duration of Civil War and Resource Abundance.....	23
2.6.2.3 Intensity of Civil War and Resource Abundance.....	24
2.6.3 Resources Lead to Changes in Regime Type and Tendency Toward Authoritarianism.....	24
2.7 Oil Windfalls.....	27
2.8 Resources and Institutions.....	29
2.9 Conclusion.....	32

Chapter 3: Analytical Framework

3.1 Introduction.....	33
3.2 Acemoglu and Robinson on Institutions: Inclusive vs Extractive.....	34
3.3. Acemoglu and Robinson on State Centralisation.....	38
3.3.1 A State Without Centralisation.....	39
3.3.2 The Importance of State Centralisation.....	42
3.4 Acemoglu and Robinson on the Enforcement of Rules and Property Rights.....	42
3.4.1 Enforcement of the Rule of Law.....	43
3.4.2 Enforcement of Property Rights.....	45
3.4.2.1 The Danger of Insecure Property Rights.....	48
3.4.3 The Importance of the Enforcement of Rules and Property Rights.....	51
3.5 Acemoglu and Robinson on the Capacity to Manage Creative Destruction.....	52
3.6 Thesis Trajectory.....	56
3.7 Conclusion.....	56
3.8 Flow Diagram Depicting Trajectory of Thesis.....	58

Chapter 4: Emergence of a Central Authority and Inclusive Institutions

4.1 Introduction.....	59
4.2 The Importance of Inclusive Institutions.....	59
4.3 Emergence of a Central Authority.....	59
4.3.1 Tswana Culture and Traditions: Informal to Formal Institutions.....	60
4.3.1.1 Background of Tswana.....	60
4.3.1.2 Tswana are Relatively Homogenous and Authority is Centralised.....	61
4.3.1.3 Link Between Culture and Institutions.....	62
4.3.1.4 Constraints on Rule.....	63
4.3.1.5 Legitimacy of Rule.....	63
4.3.1.6 Legal System.....	64
4.3.1.7 Institutions of Social and Economic Life in Pre-Colonial Period.....	65
4.3.2 Impact of Colonial Legacy.....	66
4.3.2.1 Political Institutions in the Colonial Period.....	67
4.3.2.2 Economic Institutions in the Colonial Period.....	67
4.3.2.3 How Britain Transformed Institutions from informal to formal.....	68
4.3.2.4 Development of Institutions.....	69
4.3.2.5 Colonial Legacy Matters.....	71
4.4 Rule of Law and Property Rights.....	73

4.4.1 Rule of Law in Botswana.....	73
4.4.1.1 How Did the Enforcement of Rules Emerge in Botswana?.....	73
4.4.1.2 The Influence of Tswana Culture on the Rule of Law.....	74
4.4.2 Property Rights in Botswana.....	75
4.5 Conclusion.....	77
Chapter 5: Consolidation of Power Under the BDP	
5.1 Introduction.....	78
5.2 End of Colonial Rule and BDP Origins.....	78
5.3 How Has the BDP Maintained Power for so Long?.....	79
5.3.1 Seretse Khama: Background and Appeal.....	80
5.3.2 Khama's Legitimacy.....	81
5.3.3 Limiting the Role of Chiefs and Centralisation.....	82
5.3.4 Khama and Democratic Practises.....	84
5.3.5 Khama as a Leader.....	85
5.3.6 Masire and Khama.....	86
5.3.7 Masire's Presidential Successes.....	86
5.3.8 Mogae's Presidential Successes.....	88
5.3.9 Did Masire and Mogae Further Centralise Power in the BDP?.....	89
5.3.10 Elites and Centralisation.....	89
5.3.11 Is Power Still Centralised in the BDP?.....	92
5.3.12 Factionalism.....	93
5.3.12.1 Risk of Growing Factionalism in the BDP.....	93
5.3.12.2 Ian Khama's Personality.....	94
5.3.12.3 Ian Khama's Preoccupation with Control.....	95
5.3.12.4 Ian Khama as a Leader.....	96
5.4 Conclusion.....	97
Chapter 6: Impact of Institutional Development and Management of Diamond Revenue	
6.1 Introduction.....	98
6.2 Diamonds.....	98
6.2.1 Impact of Institutional Development.....	99
6.2.1.1 Economic Performance.....	99
6.2.1.2 Conflict and Civil War.....	100
6.2.1.3 Political Regime Type and Democracy.....	101
6.2.1.4 Institutions and Resources.....	101

6.2.2 Unique Features of the Diamond Industry in Botswana.....	102
6.2.2.1 Background.....	102
6.2.2.2 Features of Botswana's Diamonds.....	103
6.2.2.3 Type of Diamonds – Location and Lootability.....	104
6.2.2.4 Further Advantageous Characteristics.....	106
6.2.2.5 Role of De Beers.....	107
6.2.2.6 Negative Impacts of Diamonds.....	109
6.2.2.7 Diamonds and Creative Destruction.....	111
6.3 Management of Diamond Revenue and Creative Destruction.....	115
6.3.1 Creative Destruction in the Pre-Colonial Period.....	115
6.3.2 Creative Destruction in the Colonial Period.....	117
6.3.3 How Has Botswana Managed Creative Destruction since Independence?.....	120
6.3.3.1 Creative Destruction and ICT.....	122
6.3.3.2 Creative Destruction and Innovation.....	123
6.3.3.3 Creative Destruction and Small and Medium-Sized Enterprises (SMEs).....	125
6.4 Significance of Creative Destruction.....	127
6.4.1 BDP and Opposition.....	128
6.4.2 BDP and Businesses.....	131
6.4.3 Would Botswana's Democracy Cope if the BDP were Ousted from Power?.....	134
6.5 Inclusive Institutions and Creative Destruction.....	136
6.6 Challenges in Botswana.....	137
6.6.1 HIV/AIDS.....	137
6.6.2 Income Inequality.....	138
6.6.3 Diamond Industry and Unemployment.....	138
6.7 Conclusion.....	140
Conclusion	
7.1 Introduction.....	141
7.2 Aims and Objectives.....	141
7.2.1 Aim.....	141
7.2.2 Objectives.....	141
7.2.2.1 Objective 1: Determine if Botswana has Inclusive or Extractive Institutions...141	
7.2.2.1.1 Is Botswana a Centralised State?.....	142
7.2.2.1.2 Does Botswana Enforce the Rule of Law and Property Rights.....	143

7.2.2.2 Objective 2: How Has Botswana Dealt with the Discovery of Diamonds and the Creative Destruction Which it Brought?.....	143
7.2.2.3 Objective 3: In What Way is it Evident that Botswana Escaped the Resource Curse?.....	144
7.3 Findings in Relation to the Literature Review.....	145
7.3.1 How the Findings Relate to Pre-1980s Discourse.....	145
7.3.2 Botswana Defies Post-1980s Discourse.....	145
7.3.3 Resources Lead to Poor Economic Performance.....	146
7.3.4 Resources Lead to Conflict.....	146
7.3.5 Resources Lead to Political Instability and a Tendency Toward Authoritarianism...	146
7.3.6 A Modern Notion of the Resource Curse.....	147
7.3.7 Resources and Institutions.....	147
7.3.8 Final Remarks.....	147
7.4 Reflections and Importance of Study.....	148
7.4.1 These Findings Dispel the Resource Curse as the “Common” Thought.....	148
7.4.2 These Findings Give Support to Institutional Theory.....	148
7.4.3 These Findings are Important Because Botswana is at a Turning Point.....	149
7.5 Areas for Future Research.....	149
7.5.1 Investigate Other Countries Which Escaped the Resource Curse.....	149
7.5.2 Further Research Contemporary Botswana.....	149
7.5.3 Investigate Why Tswana Insitutions Were So Inclusive.....	150
Bibliography.....	151

Table of Figures, Graphs and Tables

Flow Diagram Depicting Trajectory of Thesis.....	58
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Abbreviations

BAM	– Botswana Alliance Movement
BCP	– Botswana Congress Party
BDC	– Botswana Development Corporation
BDF	– Botswana Defense Force
BDP	– Botswana Democratic Party
BEDIA	– Botswana Export Development and Investment Authority
BMD	– Botswana Movement for Democracy
BNF	– Botswana National Front
BPF	– Botswana Patriotic Front
BPP	– Botswana People’s Party
BTC	– Botswana Telecommunications Corporation
BWF	– Botswana Workers Front
DCEC	– Directorate on Corruption and Economic Crime
DIS	– Directorate of Intelligence and Security Services
DRC	– Democratic Republic of Congo
FAP	– Financial Assistance Policy
FDI	– Foreign Direct Investment
FYG	– Fengyue Glass Company Limited
GCB	– Government Computer Board
GDP	– Gross Domestic Product
HIV/AIDS	– Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
ICT	– Information and Communication Technology
IMF	– International Monetary Fund
IP	– Intellectual Property
LMS	– London Missionary Society
MIST	– Ministry of Infrastructure, Science and Technology
NAC	– Native Advisory Council
OECD	– Organisation for Economic Cooperation and Development
SDP	– Socialist Democratic Programme
SME	– Small and Medium-sized Enterprises
TIPA	– Trade and Industry Promotion Industry

UB – University of Botswana

UDC – Umbrella for Democratic Change

Chapter 1: Introduction

1.1 Background

Botswana is hailed as the “sparkling diamond” of Africa (Herrmann, 2019). A statement which in many ways is as correct as it is apt. Similarly, the country is otherwise referred to as the most stable in Africa, one of the most “homogenous countries” as well as one of the “fastest-growing countries in the world” with the “highest per capita income in Sub-Saharan Africa” (Acemoglu & Robinson, 2012: 453, 450). While much of Botswana’s success can be attributed to its diamond wealth, it is arguably therein which Botswana’s greatest achievement lies – avoiding all symptoms of the resource curse which has captured and enslaved the majority of resource-abundant post-colonial African nations. It is precisely this question which the thesis seeks to address – how was Botswana able to escape the resource curse?

The resource curse has evolved over the last few decades but has come to encompass any and all negative impacts arising from a country having resources. These negative impacts typically take the form of poor economic performance, high corruption, poverty and unemployment levels, below average service delivery and infrastructure, regime types with more authoritarian tendencies and even conflict and civil war. Countries that have fallen victim to this curse include Nigeria, Angola, Sierra Leone and South Sudan to name a few. However, just because a country is rich in resources, does not mean that it will experience a resource curse and Botswana is a prime example.

Botswana has an abundance of resources, especially diamonds, good, inclusive political and economic institutions and an embedded sense of democracy since independence. After the discovery of diamonds, its GDP and economy grew exponentially, and it has been able to invest diamond revenue in infrastructure and development which has been beneficial for the country. Botswana is one of the least corrupt countries according to corruption world indices, whose elites have refrained themselves from entering the diamond industry, unlike those in the aforementioned resource-abundant countries. It is therefore evident that Botswana has not experienced many negative impacts as a result of their diamond resources and therefore have avoided the resource curse.

The question now is how did they manage to escape it when so many of their resource-abundant African counterparts have not? Essentially this is because Botswana is unique which can be attributed to a number of factors. These factors include the culture of the Tswana people in the pre-colonial period including their institutional structures. Limited colonisation from the British was arguably one of the most significant factors as it enabled the culture and structures of the Tswana in the pre-colonial period to survive the time of colonisation and emerge once again at independence which provided a solid structure on which modern Botswana was built. Lastly, effective and democratic leadership under Seretse Khama at independence proved invaluable for the country as it propelled the country to ‘African miracle’ status due to its peaceful transition of power, shining democracy, fair leadership and vast diamond deposits which turned the country’s struggling economy into a booming one thanks to the partnership with the mining company, De Beers.

This thesis sets out to explore the factors briefly mentioned above in greater depth in order to provide a comprehensive understanding of how Botswana escaped the resource curse. In so doing, the thesis will demonstrate how the nature of a centralised authority entrenched in Tswana culture combined with inclusive Tswana political and economic institutions (as evidenced by the enforcement of rules and property rights) was able to persist throughout the colonial period due to limited colonial influence from the British and create a foundation of a centralised authority at independence with relatively inclusive institutions. It was this foundation on which the BDP were able to emerge and rise with a sufficient enough level of centralised power and reasonably inclusive institutions which enabled them to manage the discovery of diamonds effectively, leading to diamonds having a positive impact and Botswana thereby escaping the resource curse.

1.2 Research Question

How did Botswana escape the resource curse?

1.3 Purpose of Study

The primary purpose of this study is to explain how Botswana was able to avoid the resource curse despite the majority of resource curse literature suggesting that due to its diamond resources, it should fall victim to the curse. This study therefore dispels the common notion

that a resource-abundant country will be cursed by their resources and delves into a different area of resource study – institutional theory – which argues that the institutions of a country determine whether resources will be a blessing or a curse and not simply the possessing of resources alone.

In addition, this study seeks to contribute to resource curse and institutional theory. Much has been explored about the resource curse between the 1980s and early 2000s, however, since then fewer scholars have contributed to the field. Resources play a pivotal role not only in countries which have them, but also in manufacturing and economies of all countries throughout the world which is why this study has been conducted in order to enhance contemporary resource curse literature.

Lastly, resource curse literature is often conducted from an economic perspective. This research therefore seeks to offer a contrast to such literature by providing a political science approach to resource curse literature which may serve to enrich the literature and contribute an alternative perspective.

1.4 Preliminary Contextualisation

Resource curse theory has existed formally since the mid-twentieth century, but in reality, has existed as long as resources themselves. Prior to 1980, resources were always viewed as having a positive impact - being able to strengthen the state and transform it from a state of underdevelopment to “industrial take-off” (Rostow, 1961). Commonly cited examples of this theory include the United States, United Kingdom and Australia, whose resources benefited the countries greatly, arguably propelling them to the first-world, economic powerhouse statuses that they enjoy today. However, this notion of resources being a blessing was overtaken.

Come the 1980s, resources were soon to be known as a death sentence as scholars and even organisations such as the International Monetary Fund (IMF) and The World Bank began to view resource-abundant countries as having a far higher chance of experiencing economic downturns, political unrest and poor social development (Rosser, 2006: 7). Indeed, increasing numbers of scholars began studying the negative impacts of resources, finding that resource-abundant countries are at a much greater risk of becoming rentier states – in which the state

relies only on income from resources and therefore no longer requires income from taxation and stops being accountable to citizens (Ross, 2013: 4). In addition, a commonly held theory is that countries rich in resources are likely to fall victim to the Dutch Disease – a phenomenon in which the country struggles to diversify its economy away from its resource sector and thereafter battles to maintain a competitive manufacturing sector which is ultimately to their detriment (Sarraf & Jiwanji, 2001: 3).

There are the three fields under which the majority of resource curse literature can be classified: poor economic performance, conflict and civil war and lastly, a change in political regime type – namely, authoritarianism. The first of which argues that the reason why resources have a negative impact is because they lead to low economic performance in countries which have them. In other words, countries with resources are more likely to experience a mismanagement of funds, poor GDP and economic growth, minimal economic development and a lack of investment in infrastructure among other economic indicators. Many scholars argue that this is due to a lack of accountability and the corruption which ensues from that, as well as looting or lack of economic diversification which can result in damaging economic fluctuations if the resource industry is volatile as is seen commonly in oil rich countries.

Additionally, a resource-abundant country is also more likely to experience conflict. Essentially, the resources of a country are able to be exploited by various groups in the country which can exacerbate tribal or political tensions and result in civil war as was the case in Sierra Leone. This is particularly relevant in resource rich countries which have lootable resources and can be found in various areas of the country as this makes them harder for the government and mining companies to control and can thus easily be looted and used to fund individual groups who use them to gain power. Importantly another major issue of resources is that they tend to increase the value of remaining in power which can lead to conflict as leaders attempt to suppress opposition.

Not only do attempts to remain in power in resource-abundant countries result in conflict, they also go hand-in-hand with increasing authoritarianism in a bid to hold onto power and wealth. Leaders crack down on their opponents as well as their people in order to prevent uprisings which could overthrow them and thus adopt more authoritarian measures as a way of maintaining control. This is confirmed by Wantchekon who found that a 1% dependence on

resources, results in an almost 8% increase in likelihood of implementing authoritarian practices (Wantchekon, 1999).

While poor economic performance, conflict and authoritarian tendencies have arisen in many resource-abundant countries and have certainly impacted them negatively, there is another school of thought which has delved deeper into the workings of the resource curse and found that institutions play a larger role than initially thought. According to institutional theory or the ‘institutions curse’ as argued by Menaldo, resources themselves do not result in countries experiencing the above negative impacts, but rather it is the institutions they possess which determine whether the outcome of such resource deposits will be positive or negative (Menaldo, 2016).

Acemoglu and Robinson confirm this theory as they emphasise the quality of institutions as playing a role in not only the success of resource rich countries, but in the overall success of any country (Acemoglu & Robinson, 2012). Indeed, Acemoglu and Robinson go so far as to argue that institutions are the reason why some nations fail, and others enjoy enormous success and that without even partially inclusive institutions, that country will fail to succeed. This thesis will use the framework of Acemoglu and Robinson’s *Why Nations Fail* in this evaluation of how Botswana managed to escape the resource curse, using it to explain just how vital a role Botswana’s institutions coupled with its degree of state centralisation have played in its diamond success.

1.5 Research Design and Methodology

This research is a qualitative study with a historical institutional approach using the framework of Acemoglu and Robinson’s *Why Nations Fail*. Acemoglu and Robinson’s framework has been used because they provide a good institutional base in their book on which to analyse Botswana as a case study. Similarly, the historical, explanatory approach was chosen as it provides a fuller and more qualitative understanding of some of the more human aspects and explanations as to how Botswana was able to overcome the resource curse such as culture and tribal structures.

The nature of the quantitative approach is that it lends itself to making more generalisations with regards to studies and offers a less in-depth analysis. Alternatively, the greatest strength

of a qualitative, case study is that it provides detailed, specific analysis with a very limited scope for generalisations. Hence, the case study, qualitative approach being used for this research on Botswana.

This method of research has however, been criticised for being potentially biased as it only refers to one case instead of a multitude of cases (Yin, 2009). While this is a possibility, this research has been taken from a wide range of sources and has attempted to provide critique where possible in order to ensure the quality and efficacy of the findings.

There are four main independent variables of this study. The first of which is Tswana culture and the institutional structure of the Tswana tribes prior to the colonial period. The degree to which the state is centralised is the second independent variable, followed by the extent to which the rule of law and subsequently, property rights, is enforced. The dependent variable is the resource curse and whether it did or did not occur is subject to the independent variables. The study will focus on how the independent variables converged to place Botswana in a position in which it was able to successfully escape the resource curse.

1.6 Limitations

Analysing Botswana as a single case study can be somewhat limiting in regards to findings. This is because the findings are unique to Botswana and cannot necessarily be applied to other resource-abundant countries that do not have very similar historical and current factors to Botswana. Therefore, the findings do not provide a broad overview of all countries with resources.

There are very few recent articles on resources in Botswana since much was written about them in the late 20th century and due to their resources having had a positive impact for so long, new research has been focused on other elements of the country. However, in overcoming this limitation, the thesis has reviewed recent studies on countries which have experienced a resource curse to serve as a comparison to Botswana. Such comparisons reinforce the analysis on Botswana as they highlight the manner in which Botswana's factors were unique, which enabled it to avoid the resource curse.

1.7 Outline

1.7.1 Literature Review

Chapter 2 considers the findings of the most prominent scholars from the latter half of the twentieth century with a particular focus on literature after 1980. This is because the resource curse was only coined after 1980 as prior to that period, resources were generally viewed as being beneficial to resource-abundant countries. Thereafter, the literature review considers the three primary ways in which resources are negative: poor economic performances, conflict and civil war and a tendency towards authoritarian regimes. Lastly, the chapter will look at an alternative to the resource curse, the institutions curse and show how that could potentially be a better, more accurate measure of the impacts of resources.

1.7.2 Analytical Framework

Chapter 3 provides an overview of Acemoglu and Robinson's historical institutional approach and why the fate of nations are so inherently tied with institutions. Their approach has received significant coverage and debate in the field and is one of the reasons why it was used in this research. The chapter therefore goes on to argue why Acemoglu and Robinson's framework is a good standard by which to measure Botswana in terms of institutions and the importance of them in relation to resources. Thereafter, the chapter sets out a guideline on how to measure institutions such as through the degree of state centralisation and the enforcement of the rule of law and property rights.

1.7.3 Emergence of a Central Authority and Inclusive Institutions

Chapter 4 provides a direct look at how the Botswana state was able to emerge as a central authority and what that degree of state centralisation enabled it to do. This is done by analysing the Tswana culture of authority surrounding chiefs and tribes in the pre-colonial and colonial period which indicate a strong sense and respect for a central authority. The chapter also evaluates the extent to which rules and property rights were enforced in pre-colonial and colonial Botswana by way of reviewing the legal system, land and cattle rights, trade and economic participation. This chapter shows that due to limited colonial influence, the degree

of state centralisation and inclusive institutions laid the foundations for the BDP to arise at independence as a central authority with relatively inclusive institutions.

1.7.4 Consolidation of Power Under the BDP

Chapter 5 recognises that it is the long-accepted notion of a centralised authority with embedded inclusive institutions which persisted throughout the colonial period and emerged at independence which allowed for the BDP to rule. This chapter thereafter considers the rule of the BDP, the leadership of Seretse Khama and his predecessors as well as their role in maintaining a degree of centralised authority and relatively inclusive institutions. The chapter indicates that leaders of the BDP have continued to centralise power and enforce relatively inclusive institutions with the exception of Ian Khama, who's authoritarian tendencies have somewhat jeopardised the inclusivity of the country's institutions.

1.7.5 Impact of Institutional Development and Management of Diamond Revenue

Chapter 6 argues that due to the centralised authority of the BDP and the persistence of relatively inclusive institutions at independence, the BDP was not only able to rise up, but was able to effectively manage the discovery of diamonds which occurred shortly after the BDP came to power. The chapter also acknowledges the auspicious nature of the type of diamonds found in Botswana before recognising that by the BDP handling the discovery of diamonds well, their revenue was able to be used for beneficial purposes such as investment in infrastructure, economic sectors and overall social and economic development. Additionally, due to the centralised power of the BDP and existence of relatively inclusive institutions, the BDP was also able to manage the creative destruction which arose from diamond revenue, effectively. This chapter also concedes that while diamonds have had a positive impact on the country, Botswana still faces challenges such as HIV/AIDS, income inequality and unemployment as outlined in section 6.6. Ultimately, this chapter demonstrates that the BDP handled diamonds and the creative destruction from their revenue well which is why diamonds have had a generally positive impact on the country.

1.7.6 Conclusion

Chapter 7 consolidates the core factors outlined throughout the study and indicates that the BDP was able to emerge at independence due to the foundations of an entrenched notion of centralised authority and deeply embedded inclusive institutions which allowed them to manage the discovery of diamonds and the creative destruction which arose from diamond revenue effectively, thus escaping the resource curse. The chapter also provides areas for future research.

Chapter 2: Literature Review

2.1 Introduction

The evolution of the Resource Curse has spanned the better half of the 20th century and continues to be debated widely to this day. In order to establish a comprehensive understanding of the resource curse, it is important to analyse its development through the years – evaluating the stances of different economists and political scientists and the manner in which they have built upon the theory which came before them. This section will demonstrate exactly how resources, which began as a blessing, completely reversed to becoming a curse in the majority of countries “blessed” with those resources. According to prominent scholars in the field, there are three reasons why resources are a curse – they lead to poor economic performance, are linked to conflict and civil war and thirdly, are correlated with low levels of democracy and poor development. This section will evaluate these three stances, outlining the various arguments for each reason and analysing its validity in relation to real life case studies. While exploring resources as a curse with regards to low levels of democracy, this section will also evaluate institutions as a vital part of this reason – referring to the Acemoglu and Robinson framework, considering counter arguments for the resource curse and analysing the ways in which the curse can be overcome.

2.2 Resources are Good Prior to the 1980s

Prior to the 1980s, a country’s endowment of resources was largely seen as a blessing. Resources were advantageous and could be used to further development and prosperity for countries lucky enough to possess them as had been the case in the United States of America, Britain and Australia (Rostow, 1961). According to geographer Norton Ginsburg, countries blessed with “sizeable and diversified” natural resources are in a position of significant advantage so far as economic growth is concerned (cited in Higgins, 1968: 222). This view was held by the majority of economists at this time, including Viner and Lewis in the 1950s, followed by Rostow who went so far as to argue that the ability of developing countries to transform from underdevelopment to “industrial take-off” can be attributed to their endowment of natural resources (Rostow, 1961). Continuing into the early 1980s, resources remained a

blessing in the eyes of the majority of economists. One such economist, Balassa, even argued that natural resources provide domestic markets and investible funds which facilitates industrial development (Balassa, 1980: 2). It must be noted that in the early 1950s, opposition to the commonly held view of resources being a blessing was raised by Singer and Prebisch who insisted that reliance on natural resource exports placed developing countries at a disadvantage due to the volatile nature of international commodity markets and the structure of the global economy (Singer, 1950; Prebisch, 1950). However, this view was not as commonly held, and the majority viewed resources as a blessing.

2.3 Resources are Bad After 1980

Resources remained a blessing until the 1980s, when new literature suggested that resources were no longer beneficial for resource abundant countries, but rather, posed a threat to these countries in the form of economic downturn and stunted development. Widely accepted by scholars as well as international institutions such as the IMF and the World Bank, is the stance that countries abundant in resources are likely to “experience negative economic, political and social outcomes including poor economic performance, low levels of democracy and civil war” (Rosser, 2006: 7). Interestingly, this idea of resources causing more harm than benefit, is no contemporary notion, but rather one traced as far back as the fathers of modern Political and Economic thought– Machiavelli, Adam Smith and David Ricardo. According to modern philosophers such as Machiavelli, Montesquieu and Bodin, citizens of countries with an abundance of natural resources become “myopic and slothful” (Ross, 2013: 3). In *The Wealth of Nations*, Adam Smith outlines the pursuit of mineral wealth as a perilous endeavour, cautioning that such ventures prove costly and uncertain, thrusting bankruptcy on the majority of those who embark upon it (Smith, 1776 (1991, volume IV, chapter 7, section 18). Consequently, Smith describes the pursuit of gold and silver mining as the most hazardous of these enterprises, claiming that these are projects of which a prudent law-giver, anxious to increase capital in his nation, would steer clear (Smith, 1776 (1991, volume IV, chapter 7, section 18).

The notion of mineral mining posing both social and economic threats to society, is not held by Adam Smith alone, but rather is supported by many economists including David Ricardo, who went so far as to build upon Smith’s claim. In *On the Principles of Political Economy and Taxation*, Ricardo observes Spain and Portugal as the leading producers of gold and silver in

Europe, discovering that despite their mineral prestige, this increase in precious metals has neither boosted annual produce, nor improved the manufacturing and agricultural sectors of the countries, nor has it alleviated the poor circumstances of its people (Ricardo, 1817 (1911, chapter 28, paragraph 10). Instead, as Ricardo points out, Spain and Portugal – the countries in possession of the mines – are the “two most beggarly countries in Europe” (Ricardo, 1817 (1911, chapter 28, paragraph 10). This supports the argument that resources can have perverse consequences.

One such perverse consequence is the development of the rentier state. The concept of the rentier state was revived in the early 1970s by Middle Eastern scholars in an attempt to describe the oil-producing governments’ abnormal qualities (Ross, 2013: 3). The modern meaning of the rentier state can be attributed to Mahdavy, who describes it as a state receiving considerable rents from foreign governments, individuals or concerns (Mahdavy, 1970: 428). A more detailed definition is provided by Beblawi, who considers a rentier state as having rents paid by foreign actors which accrue directly to the state (Beblawi, 1987: 50). This type of state sees only a few involved in the generation of wealth (rents) and the majority engaged in the allocation and consumption of such rents (Beblawi, 1987: 50). Following their definitions of the rentier state, both Mahdavy and Beblawi argue that rentier states – governments funded by rents from foreign actors – are no longer bound by the need to raise taxes, rendering them unaccountable to their citizens and therefore unlikely to utilise these rents for economic development or the improvement of social infrastructure (Ross, 2013: 4). The concept of the rentier state is pivotal in the resource curse theory as it captures two of its most prominent claims – that resource rents diminish government accountability and harm economic growth.

The experience of oil producing countries in the 1970s also gave clout to the arguments for why natural resources can have negative effects. Oil producing countries and exporters faced poor development prospects as a result of the first oil price shock in the 1970s (Stevens, Lahn & Kooroshy, 2015: 5). Similarly, the experience of the Netherlands in the 1970s, further entrenched concern over resources posing threats to growth and development by giving rise to the ‘Dutch Disease’ – a concept which essentially refers to the decreased development of other sectors in response to the increase in development of another sector as was the case in the Netherlands following the discovery of natural gas (Badeeb, Lean & Clark, 2017: 130).

2.4 Dutch Disease

Originating from the decline of the manufacturing sector in the Netherlands following the discovery of the Groningen gas field in the 1970s, the term “Dutch Disease” was coined (Stevens, Lahn & Kooroshy, 2015: 5). The Dutch Disease model was consequently constructed in the early 1980s by Cordon and Neary and was widely considered to be the resource curse’s most “prominent economic channel” (Badeeb, Lean & Clark, 2017: 130). This section will outline the Dutch Disease, providing an in-depth analysis of the concept and will subsequently, briefly consider some of the counter-arguments for the disease and evaluate each accordingly.

Initially, the concept of the Dutch Disease was very particular. It referred exclusively to the situation in which the real exchange rate appreciates in response to increased inflation as a result of spending revenue from natural resources which appreciates the nominal exchange rate, leading to an “overheated” economy as the domestic currency attracts higher demand (Stevens, Lahn & Kooroshy, 2015: 14). The non-resource sectors consequently contract and the output and revenue from the non-resource traded goods decreases (Fardmanesh, 1991: 712). Over time, the meaning of the concept has varied. From being considered a resource-rich country’s inability to sustain a competitive manufacturing sector to the Dutch Disease being known in a more general sense as all the negative macroeconomic effects related to the resource curse (Sarraf & Jiwanji, 2001: 3).

To understand the Dutch Disease in further detail, it is important to break down the concepts of the “spending effect” as well as the “resource-movement effect”. According to Sachs and Warner and later, Gylfason, Frankel and a few others, the Dutch Disease appears when the boom from a natural resource increases domestic income, leading to a rise in the demand for goods (Badeeb, Lean & Clark, 2017: 131). As a result of this increase, inflation too, increases and the real exchange rate appreciates; leading to an increase in the price of non-resource commodities, making these non-resource commodities more expensive compared to the world market prices which decreases their competitiveness and the investment in them (Badeeb, Lean & Clark, 2017: 131). This negative impact as a result of growth in the resource-based industry is known as the “spending effect”. Related to the spending effect is the “resource-movement effect” which is when the resource sector flourishes and all mobile resources are taken out of the other non-resource sectors to put into the booming resource sector which leads to a contraction in the other sectors (Fardmanesh, 1991: 712). Sustaining growth in the resource

sector comes at the cost of contracting the other non-resource sectors as well as a loss in their competitiveness.

The focus of the Dutch Disease on the non-resource sector is synonymous with manufacturing. The validity of this focus has been questioned in the past as many scholars have questioned whether a contraction in such a sector has detrimental consequences. According to Sachs and Warner, if “neo-classical competitive conditions prevail”, the country will be unaffected by the decline of that sector, however, in the majority of cases, the conditions do not prevail, and the country is victim to the Dutch Disease, experiencing “chronic slow growth” as a result of the manufacturing sector contracting (Sachs & Warner, 1997: 6). This is problematic as productivity growth is generally faster in the manufacturing sector due to “accelerated human capital accumulation from ‘learning by doing’” and a decline in such a sector, tends to decrease the demand for education as well as the incentive to invest in education in those countries (Stevens, Lahn & Kooroshy, 2015: 15).

Many authors have questioned the importance of the manufacturing sector on the economy. Nonetheless, it has been found that in natural resource intensive economies, the manufacturing and services sector experienced slow growth (Sachs & Warner, 1997: 26). This indicates that the manufacturing sector and how it is lead, is important as it can have negative impacts on resource-abundant countries.

Another important question which has been debated is whether the Dutch Disease itself, is real? It has been argued that no “substantive evidence” pertaining to whether the Dutch Disease is a real phenomenon exists; and it was found that after the 1970s oil boom, the oil exporting countries: Nigeria, Algeria, Venezuela, Indonesia and Ecuador experienced an increase in their manufacturing sector and interestingly, a decrease in their agricultural sector (Fardmanesh, 1991: 716). However, it must be noted that contrary to the Dutch Disease, these countries underwent significant exchange rate depreciation and an expansion of both their agricultural and manufacturing sectors; which was very unusual in respect to the majority of oil-exporting countries (Stevens, Lahn & Kooroshy, 2015: 16). Similarly, data collected between 1975 and 2007 on 135 countries, suggests that on average, as non-resource imports rose, non-resource exports reduced by 35-70% (Stevens, Lahn & Kooroshy, 2015: 16). In addition, a 10% oil windfall was found to prompt a 3.4% decline in the manufacturing sector on average (Stevens,

Lahn & Kooroshy, 2015: 16). These studies indicate a negative effect on non-resource and manufacturing sectors which supports the Dutch Disease theory.

Essentially, the Dutch Disease theory predicts that all countries with resources will suffer from negative effects relating to resources, i.e. the resource curse (Wick & Bulte, 2009: 143). However, Wick and Bulte argue that this is simply not true when taking into account the resource rich countries which did not experience Dutch Disease such as Botswana and Malaysia; and who argue instead, that Dutch Disease has a minor role in explaining the resource curse and should not be considered a prominent channel of the curse (Wick & Bulte, 2009: 143).

Another important point which Dutch Disease fails to consider is public savings. It appears the Dutch Disease model assumes that a country does not have sufficient public savings and that all revenue from resources is spent immediately, whereas in practice, a country with high rents from resources is most likely to have an increased public savings fund which can be used to overcome any contractions in the manufacturing sector (Wick & Bulte, 2009: 143). One of the few cases for which this argument would not stand is in the case of poor leadership and weak institutions where revenue from resources is often stolen, used to for personal gain or corrupt ventures. Perhaps it could be argued that not only could the validity of the resource curse as a theory, come down to institutions and leadership, but so too, could the validity of Dutch Disease depend upon it.

It is evident that resource related literature, both political and economic, which arose in the 1970s, possibly planted the seed, for the transformation in the conventional wisdom on resource literature which was to follow in the 1980s. Since the 1980s, the general consensus among scholars is that resources negatively impact development, aid in the provocation of civil war and conflict, diminish economic performance and pose a threat to democracy (Rosser, 2006: 7). This consensus is arguably entirely opposite to conventional perspectives on resources prior to the 1980s.

2.5 Defining the Resource Curse

This negative perspective on natural resources has become so conventional that within a few years was labelled the “Resource Curse”. Coined in the early 1990s by Auty, the resource curse

refers to an inverse relationship between economic growth and the dependence on resources (Badeeb, Lean & Clark, 2017: 123). Auty discovered that the income per capita of countries with an abundance of natural resources grew three times more slowly than the income per capita of countries poor in resources (Auty, 2001: 3). Based on the findings of Auty and many other economists, Sachs and Warner embarked on a cross sectional study using a subset of 95 countries to determine whether a negative relationship exists between economic growth and dependence on natural resources (Badeeb, Lean & Clark, 2017: 129). This study was one of the first scholarly works based on empirical evidence which proved “a clear negative correlation between natural resource-based exports and growth”, with only two countries rich in resources – Mauritius and Malaysia - enjoying a 2% annual growth rate between 1970 and 1980 (Sachs & Warner, 1997: 27).

2.6 Resource Curse Analysis

Given that the general overview of the evolution of scholarly perspectives on natural resources has been established, it is important to consider the following preliminary points prior to evaluating the literature produced by prominent scholars in the resource field. The first point to consider is that resource curse literature comprises three distinct sub-literatures – the impact of natural resource abundance on economic performance; the impact of natural resources on conflict and civil war and the impact of natural resource abundance on political regime type and democracy in particular (Rosser, 2006: 8). The second point to consider is that the concept of the resource curse was initially associated only with the first sub-literature - the impact of natural resources on economic performance - as this literature was developed prior to the other two sub-literatures (Rosser, 2006: 8). Since Auty’s initial definition of the resource curse, the literature on the impact of resources on civil war and regime type have subsequently expanded and developed (Rosser, 2006: 8). Thus, the “resource curse” has evolved into a more holistic term in recent years - essentially encompassing all negative impacts countries and citizens suffer as a result of their natural resource endowment.

In addition to the literature being separated into sub-categories, it is also important to divide the literature. Firstly, into the impact of natural resources on economic performance, conflict and civil war and democracy and secondly, into the factors which cause natural resources to become a resource curse and analyse the arguments scholars have made for each. Subsequently, the analysis will follow this layout.

2.6.1 Resources Lead to Poor Economic Performance

A significant number of scholars have focused on natural resource abundance in relation to economic performance and presented evidence suggesting that natural resource abundance is correlated with poor economic growth. One such scholar is Wheeler, who conducted a study among Sub-Saharan African countries in the 1970s and discovered that of the countries, those rich in minerals experienced slower economic growth than those without (Wheeler, 1984). Similarly, Gelb and Associates' study produced similar results, finding that between 1971 and 1983, countries with minerals experienced significant decline in the efficiency of domestic capital formation which resulted in negative growth in hard mineral countries and severely reduced growth in oil exporting economies – however, this economic decline was not experienced so harshly by non-mineral countries (Gelb & Associates, 1988). Based on the findings of such scholars and many others, Sachs and Warner embarked on a cross sectional study using a subset of 95 countries to determine whether a negative relationship exists between economic growth and dependence on natural resources (Badeeb, Lean & Clark, 2017: 129). In the study, they related growth in income per capita to primary products in a country's exports – primary products meaning heterogeneous goods such as minerals, fuel, food and agricultural products – which they used as 'natural resources abundance' in their analysis (Deacon, 2011: 114). Sachs and Warner controlled for the ratio of investment to GDP, initial income and openness to trade and concluded that an abundance in natural resources had a significant negative effect on economic growth, discovering that an increase in the primary products export share by as little as one standard deviation, resulted in a 0.6 to 1.5 percentage point reduction in a country's predicted growth rate (Sachs and Warner, 1997). This study was one of the first scholarly works based on empirical evidence which proved "a clear negative correlation between natural resource-based exports and growth", with only two countries rich in resources – Mauritius and Malaysia - enjoying a 2% annual growth rate between 1970 and 1980 (Sachs & Warner, 1997: 27). It is important to note that similar findings were produced by Leite and Weidmann (1999) and Gylfason et al. (1999), who also used large datasets to enhance their research (Rosser, 2006:8). These negative economic impacts were confirmed by Auty, the father of the 'resource curse', himself, who discovered that the income per capita of countries with an abundance of natural resources grew three times more slowly than the income per capita of countries poor in resources (Auty, 2001: 3). Building upon the knowledge already established in the field of resources and economic growth, Neumayer opted to measure growth in terms of 'genuine income' - subtracting the depreciation of produced and natural capital from

the GDP amount instead of simply using GDP in the calculations – to determine if this altered the impact resources had on economic growth (Rosser, 2006: 9). Despite modifying the measurement, he found that the negative effect on economic growth persisted within countries abundant with natural resources (Neumayer, 2004). That numerous scholars have based their work on empirical case studies and all produced similar results, makes it difficult to refute the negative impact resources have on economic growth.

In addition to impacting economic growth, a number of scholars have confirmed further economic problems occurring as a result of natural resource abundance. In addition to economic growth; export diversification, agricultural growth and inflation are impacted, as resource abundant countries have reported poorer performance in these categories in relation to their non-mineral counterparts (Nankani, 1979). Furthermore, Nankani found that “poor savings performance, greater technological and wage dualism, high unemployment, high external indebtedness and high export earnings instability” is likely to characterise these mineral economies (Nankani, 1979). Wood and Berge produced similar results, finding that countries rich in resources were less likely to export manufactured goods than those without resources (Wood & Berge, 1997). Atkinson and Hamilton later confirm Nankani’s claim, finding that resource abundant countries had lower savings rates, than those without resources (Atkinson & Hamilton, 2003). In addition to their work on resources and economic growth, Leite and Weidmann declared that higher levels of corruption were reported in countries rich in resources, compared to those without (Leite & Weidmann, 1999). On a social level, Ross found that resource well is typically associated with poor human development levels and increased poverty (Ross, 2003). This work produced by the aforementioned scholars indicates that the impact of resources on the economy is multi-faceted and largely negative. From this, it can be deduced that in terms of economic performance, resources have proved more a curse than a blessing.

However, it must be acknowledged that the periods to which the above arguments refer, cannot necessarily determine the status quo for the negative impact of resources on growth or the resource curse as a whole. As Ross recognises; the period between 1970 and 1990 was an “economically troubled” time for oil-producing countries, on which much of the empirical evidence is based (Ross, 2012: 190). Auty too, admits that prior to the 1970s, much evidence revealed that countries rich in natural resources indeed enjoyed higher growth rates than countries without resources (Auty, 2001: 5). Similarly, Maloney identifies the important role

that natural resources have played in the success of many economically established and industrialised countries. He argues that processes of growth cannot be measured over a short turbulent period such as that of the 1970 to 1990 time-frame, but rather need to be measured over the long-run (Maloney, 2002: 1). This is supported by Wright and Czelusta, who dispute the resource curse theory, evidencing it with the United States' ability to use their natural resources to grow and industrialise their economy, avoiding the resource curse (Wright & Czelusta, 2002: 5).

A more comprehensive outlook on the resource curse is taken by Gylfason. He argues that it is not the quantity of natural resources which affects economic growth in countries abundant in resources, but rather the quality of economic management and the management of institutions and of the whole country over-all (Stevens, Lahn & Kooroshy, 2015: 9). This argument renders the existence of a 'resource curse' debatable and questions whether or not the negative impacts of resources on growth derive from the presence of the resources themselves, or from deeper issues entrenched in countries such as their institutions and administration. This too, will be investigated later on in the thesis in further detail. It must also be noted that Auty acknowledges the inconsistent nature of the existence of the resource curse in resource abundant countries, stating that the resource curse "is not an iron law, rather it is a strong recurrent tendency" (Auty, 1994: 12).

2.6.2 Resources Lead to Conflict and Civil War

More recent studies have focused on the impact of resources on conflict in countries rich in natural resources and in particular, civil war. This literature asserts that not only is resource wealth associated with the onset of civil war, but moreover influences both the duration and intensity of the civil war – meaning battle-related casualties (Rosser, 2006: 9). Collier and Hoeffler are renowned for their work on conflict and the relation between resources and civil war and have arguably since inspired further research into this sub-category of resource curse theory. It is worth noting that Collier and Hoeffler's 1998 study is based on their analysis of the experience of 98 countries and 27 civil wars and that their definition of 'natural resource abundance' is in terms of the ratio of primary exports to GDP (Rosser, 2006: 9).

However, before delving into the impacts of resource abundance on the onset, duration and intensity of civil war, it is crucial the four key differences between literature on resources and

conflict and general literature on the resource curse are established. These four differences include firstly, differing lineage of resource curse literature, types of resources, linear and curvilinear variables and lastly, the importance of location. The first, being that literature on conflict in relation to resources has a different lineage and is not descended from other branches of resource curse literature which have grown out of various bases of research throughout the years. The basis in the 1950s and 1960s being the primary commodities and development and in the 1970s and 1980s, the rentier state (Ross, 2013: 13). However, resource and conflict literature has its fundamental foundation in the economic theories of conflict which were developed in the early 1990s by Hirschleifer, 1991; Skaperdas, 1992 & Grossman, 1994. The reason for this branch of sub-literature being explored was a direct result of the ‘recent events’ which had taken place and the violent civil conflicts in the 1990s such as those of Angola, The Democratic Republic of Congo (DRC), Sudan, Sierra Leone, Indonesia, Cambodia and Columbia which were seemingly related to resource wealth (Ross, 2013: 13).

The second difference which needs to be considered is that many scholars argue that the type of resources makes a difference when analysing conflict. Scholars who have focused on the kinds of resources have found that petroleum is the only resource which is consistently correlated with low levels of democracy and increased corruption, yet both petroleum and alluvial diamonds (diamonds which are found near the surface and are typically easier to mine) have been correlated with the onset and increased duration of civil war (Ross, 2003, 2006; Lujala, Gleditsch & Gilmore, 2005). Further studies have concluded that contraband resources such as alluvial gemstones (Fearon, 2004) or coca leaves (Angrist & Kugler, 2008) have a similar impact as does timber which has played a role in the multiple cases of violent conflict investigated by Price, 2003; Harwell, Farah and Blundell, 2011.

The third difference is that in more general resource curse literature, there is a linear association between resource wealth and other variables. However, in regard to resource and conflict literature, the associations are curvilinear. For example, there is a linear association between oil wealth and corruption as well as oil wealth and authoritarianism – therefore the higher the value of per capita petroleum resources, the worse the level of corruption and authoritarian rule (Ross, 2013: 14). Conversely, scholars such as Collier and Hoeffler and later, many others, have found that in terms of conflict, this association is curvilinear. This will be discussed in greater depth under the onset of civil war, however, the basic principle is that as the value of a resource increases, the probability of conflict initially increases, but then decreases after a

certain point (Collier & Hoeffler, 1998; Collier, Hoeffler & Rohner, 2009; Basedau & Lay, 2009; Bjorvatn & Naghavi, 2011; Ross, 2012).

The last difference is the importance of location – meaning, where within a country's borders the resources are found. Location has been found to have a significant impact on the role resource wealth plays in the onset, duration and intensity of civil wars (Ross, 2013: 14). Using oil wealth as a variable, scholars have found that oil located offshore, has little to no association with conflict in the region, however, oil found onshore has had a significant impact on conflict (Lujala, 2010; Ross, 2012). In addition, oil found onshore is also more likely to instigate conflict if in an area which is poorer in relation to the average national wealth (Østby, Nordås & Rød, 2009); and even more so, if that area is inhabited by ethnic groups which are marginalised (Basedau & Richter, 2011; Hunziker & Cederman, 2012). This is especially more likely if the ethnic groups in these areas are highly-concentrated (Morelli & Rohner, 2010) and comprise of members who use this oil wealth as a means to foster collective resistance to the government (Aspinall, 2007). Aside from instigating conflict, scholars have explored the impact of resource location on conflict duration and intensity and found that both petroleum and alluvial diamond wealth located near a conflict region have seemingly increased the duration of that conflict (Lujala, Gleditsch & Gilmore, 2005; Buhaug, Gates & Lujala, 2009; Lujala, 2010) as well as the intensity (Weinstein, 2007; Lujala, 2009; De Luca et al., 2014). One of the examples for which this rang true is Sierra Leone, where Bellows and Miguel found that more frequent battles and attacks took place in the chiefdoms with diamond mines compared to those without (Bellows & Miguel, 2009).

Now that the four major differences between the literature on resources in relation to conflict and resource curse literature has been established, it is important to examine exactly how it is that resources cause conflict and in particular, civil war before delving into the literature on the association between resource abundance and the onset, duration and intensity of civil war.

While the various ways in which resources are associated with civil war have already been discussed in some detail, it quite simply begs the question – what is it about resources which causes conflict in the first place? A subset of scholars argue that wealth as a result of natural resources affects the government in one of two ways, which as a result, leads to violence and conflict. The first way is that the government is made administratively weaker from the resource wealth (through corruption for example) and is thereby unable to prevent rebellions

as well as it should and the second way, being that resource wealth enhances the value of capturing the state which subsequently induces rebellion and the prospect of civil war (de Soysa, 2002; Fearon & Laitin, 2003; Le Billon, 2005). A separate subset of theories insists that it is the insurgents rather than the government which is impacted by resource wealth. In this theory, the insurgents or rebels are motivated to initiate political conflict or rebellion to create an ‘independent state’ in order for them to capture the resource revenue without having to share it among the rest of the country (Collier, Hoeffler & Rohner, 2009; Dal Bo & Dal Bo, 2011; Ross, 2012). Similarly, it could be the prospect of financing the costs of rebellion through looting the resources themselves (especially if the resource is easily lootable such as oil or alluvial gemstones) or alternatively, extorting money from companies and their employees which work in their ‘independent state’ which make forming a rebellion more appealing (Collier, Hoeffler & Rohner, 2009; Dal Bo & Dal Bo, 2011; Ross, 2012). Lei and Micheals confirm this connection, claiming that the probability of armed conflict is increased by 5 to 8 percentage points after an oil field is discovered and in countries which have recently experienced political violence, this effect is even stronger (Lei & Michaels, 2014).

2.6.2.1 Onset of Civil War and Resource Abundance

Collier and Hoeffler’s 1998 study indicates that there is a strong correlation between natural resource abundance and the onset of civil war and that interestingly, this correlation is curvilinear, meaning that resource wealth increases the likelihood of civil war initially. However, once a particular level of exports is achieved, the probability of civil war is substantially decreased (Collier & Hoeffler, 1998). A real-world example of this being the large amount of oil wealth per capita in countries such as Iran or Nigeria where resource wealth has arguably had significant negative impacts in relation to the extremely large amount of oil per capita wealth in countries such as Saudi Arabia or Equatorial Guinea in which the vast level of wealth has been a blessing (Ross, 2013: 14). The reasoning behind this is that once resource wealth reaches a certain point, the wealth becomes a “stabilising force” and is able to be used by governments to protect the country from the possibility of impending civil war – for example, by using the resource wealth to invest in increased security or the bribing of potential rebels (Ross, 2013: 14). Essentially, the elements of resource abundance which lead to conflict are offset by the rentier effect, making conflict less likely once a certain level of wealth is generated (Ross, 2013: 14). In a later study in 2005, Collier and Hoeffler replace the export-based measure used in their 1998 study with a rent-based measure of natural resource

abundance and interestingly, produce the same result – that a curvilinear relationship exists between resource wealth and the onset of civil war (Collier & Hoeffler, 2005). Continuing their research, Collier and Hoeffler's subsequent study used an improved dataset which reaffirmed their findings from 1998 (Collier & Hoeffler, 2000). Delving deeper into the sub-literature of the resource curse in relation to conflict, Collier and Hoeffler's third study explored the impact of natural resources on different types of civil war – namely secessionist and non-secessionist civil wars. They discovered that the likelihood of both types of civil wars are increased by the presence of natural resources in a country, however, secessionist civil wars are three times more likely to occur than non-secessionist civil wars in a country abundant with resources (Collier & Hoeffler, 2002). Building upon the work of Collier and Hoeffler, Reynal-Querol's research focused on the link between resource abundance and the onset of ethnic and non-ethnic civil wars. Fixing her research between the period of 1960 to 1995, she used data from 138 countries and concluded that resource abundance is closely associated with non-ethnic wars as well as various forms of political violence, however, resource abundance is not a variable in explaining the incidence of ethnic war (Reynal-Querol, 2002).

2.6.2.2 Duration of Civil War and Resource Abundance

In addition to being associated with the onset of civil war, natural resources abundance is also connected to the duration of civil wars. Included in their 1998 study, Collier and Hoeffler discovered that like the onset of civil war, resource abundance and the duration of civil war, too, had a curvilinear relationship (Collier & Hoeffler, 1998). A further study claimed that resource wealth considerably decreases the success-rate of peace-building activities (Doyle & Sambanis, 2000). Ross argues that so long as resource wealth is negatively correlated with successful peace-building activities, resource wealth will be associated with “longer wars” (Ross, 2004b: 341). According to Fearon, longer wars are experienced in countries abundant in contraband resources such as coca or diamonds (Fearon, 2004). This finding undoubtedly rings true in the case of Sierra Leone. Concentrating on developing countries, Ballentine found an increase in the duration of civil wars in resource rich developing countries (Ballentine, 2003). Many scholars have taken this research a step further and included statistical analysis on the specific nature or type of natural resource in relation to the duration of civil wars, finding that petroleum and alluvial diamonds consistently increase the duration of civil war as well as the onset (Ross, 2003, 2006; Lujala, Gleditsch & Gilmore, 2005).

2.6.2.3 Intensity of Civil War and Resource Abundance

Intensity of civil war refers to the number of battle-related casualties in relation to the civil war conflict, which, in association with natural resource abundance has produced varying results. Ross, in his 2004 study, acknowledges that many researchers concentrating on African civil wars have observed that the intensity of civil wars are heightened by resource abundance as it causes “combatants to fight for territory that would otherwise have little value” (Ross 2004b: 245). Ross whilst agreeing with the above finding to an extent, found little proof for it in his own research. Analysing 13 cases of civil war, he found in only 2 of the cases did resources impact the intensity of the civil war and in the remaining 9 cases, found the impact of natural resources to be either irrelevant or mixed (Ross, 2004b). Again, many scholars found that the type of resource impacted the intensity of civil war, with civil wars in regions near petroleum or alluvial diamonds experiencing conflicts of greater severity (Weinsten, 2007; Lujala, 2009; De Luca et al., 2014). Perhaps the correlation between resource abundance and intensity of civil war is not as strong as that of resources and the onset of civil war or the duration of civil war. Although it must be noted that Ross’s argument is based only on 13 case studies, rendering his results questionable due to the limited dataset.

2.6.3 Resources Lead to a Change in Regime Type and Tendency Toward Authoritarianism

The third sub-category of resource literature asserts that resource abundance is associated with low levels of democracy and in the case of oil, associated strongly with authoritarianism. This section will evaluate the literature on the impact of resource wealth on regime types – considering both democracies and autocracies, but, with a slight slant on democracy. It will subsequently delve into the literature on institutions and particularly, the relation between institutions and resources as this is a vital component of the thesis. In doing so, this section will refer closely to Acemoglu and Robinson’s findings in their book - *Why Nations Fail* – as their arguments will serve as the framework for which the rest of this thesis is based.

Numerous studies have been conducted by scholars in the resource curse field in order to establish the impact of resources on regime type – the common conclusion being that resource abundance impairs the level of democracy. Wantchekon is one such scholar who, after observing the data of 141 countries between the period of 1950 to 1990, concluded that a 1%

increase in natural resource dependence (the ratio of primary imports to GDP), resulted in an almost 8% increase in the likelihood of the government adopting authoritarian characteristics (Wantchekon, 1999). Furthermore, his study claimed that democratic countries rich in natural resources were more likely to experience a “failed” democracy and that a plethora of natural resources would slow down the transition to democracy in non-democratic countries (Wantchekon, 1999). Wantchekon’s later study in conjunction with Jensen, built upon his earlier findings and found that African countries endowed with natural resources had a significantly higher probability of adopting authoritarian tendencies and that countries which had recently transitioned to democracy, were prone to experiencing a breakdown in this democracy were they to discover natural resources (Jensen & Wantchekon, 2004). Ross questioned whether this outcome of decreased democracy in relation to resource abundance spanned all variations of resource economies and regimes and produced a study which took into account data from 113 countries between the period of 1971 and 1997. His examination establishes three important points – firstly, that it is the reliance on natural resources – both oil and mineral exports – which reduces the level of democracy – a phenomenon which results only from resource exports and not any other type of primary export (Ross, 2001a). Secondly, this phenomenon is not limited to Sub-Saharan Africa, the Middle East or the Arabian-peninsula and lastly, it is not limited to small states (Ross, 2001a).

Since the 2000s, the general consensus on resources and regime type has been that it impairs democracy. In so doing, resources arguably make autocracy more stable and therefore, decrease the likelihood of transitioning to democracy (Ross, 2013: 6). This was proved in a comprehensive study, in relation to oil as a resource, which examined 64 countries under authoritarian rule in 1960 and 50 countries which were under authoritarian rule in the first years of independence after 1960. Values were taken between the period of 1960 and 2006 and it was found that the countries which transitioned to democracy, were the ones which had no resources, however, no country with oil resources has successfully transitioned to democracy since 1960 (Ross, 2013: 7). Essentially, an increase in oil wealth is associated with less democracy – a finding based on Ross’s 2001 study which has been confirmed time and time again by multiple scholars (Ross, 2001a; Werger, 2009; Aslaksen, 2010; Tsui, 2011; Andersen & Ross, 2014). A widely inclusive study performed a “statistical meta-analysis” on this issue of oil and democracy; and using the findings from 29 studies and 246 empirical estimates, discovered that “oil had a negative, nontrivial, and robust effect on democracy” (Ahmadov, 2013).

While it is all good and well that research has shown that oil wealth has a negative impact on the level of democracy, it is important to consider the conditions under which oil wealth has such anti-democratic impacts. The literature has broadly focused on two such conditions. The first being that oil wealth strengthens the already autocratic governments in oil rich countries, thus preventing them from transitioning to democracy or secondly, democratic countries are weakened by oil wealth which pushes them towards authoritarianism – the consensus being the first condition – that oil wealth prevents authoritarian governments from transitioning to democracy (Ross, 2013: 8).

Further research into this field, has found that oil wealth is more likely to keep the authoritarian leader in their position of power, longer than it keeps the authoritarian regime in place (Ross, 2013: 8). This was confirmed by multiple scholars who found that oil as well as kimberlite diamonds increase the length of time authoritarian leaders remain in office, however, it is alluvial gemstones and other types of minerals which can have the opposite effect – limiting the length of rule of authoritarian leaders due to increased volatility (Cuaresma, Oberhofer & Raschky, 2010).

Alternatively, some scholars have argued against this, insisting that oil does not impact democracy negatively. Instead, claims have been made to suggest that oil wealth has “pro-democratic” elements within oil rich democratic countries by making their governments more stable and therefore, less likely to transition to autocratic rule (Smith, 2004; Morrison, 2009; Dunning, 2008; Tsui, 2011). In this case, perhaps it could be interpreted that the effects of oil are pro-regime stability, more so than pro-democracy. Another group of scholars steadfastly argue against this, finding no evidence of oil stabilising democracies (Caselli & Tesei, 2011; Wiens, Poast & Clark, 2014; Al-Ubaydli, 2012). Yet more scholars argue that even if oil wealth has no aggregate impact on democratic stability, it can however, under specific conditions, lead to a breakdown in democratic regimes as was the case in some Sub-Saharan African countries (Jensen & Wantchekon, 2004). Ross builds upon this argument, claiming instead that it is low to middle income oil rich countries which are most at risk of this democratic breakdown (Ross, 2012). These conflicting arguments should not be surprising, due to the fact that very few democratic oil rich countries exist which makes it more difficult to draw strong conclusions.

2.7 Oil Windfalls

Interesting observations have been made by scholars who have focused on oil windfalls – excess rent from oil revenue - in both democratic and authoritarian states, particularly the US and South American countries. Oil windfalls have been found to lengthen the office terms of elected local officials in democracies such as the US (Goldberg, Wibbels & Mvukiyehe, 2008; Wolfers, 2009), Argentina (Gervasoni, 2010) and Brazil (Brollo et al., 2013; Monteiro & Ferraz, 2010). According to Brollo et al., in Brazil, the impact of oil windfalls went one step further as it was found that “windfall-like federal transfers” can be charged with reducing the education levels of candidates running for mayor, as well as with increasing the level of corruption in the country according to a federal government audit programme (Brollo et al., 2013). Oil windfalls too, increased the probability of officials being re-elected, however, this re-election advantage is only for the short-term (Monteiro & Ferraz, 2010). Nevertheless, all the aforementioned studies determined oil windfalls to have pro-incumbent effects which in its very nature, is anti-democratic.

This argument is taken one step further, as scholars have suggested that it is not only the anti-democratic characteristics of oil which impact on regime type, but rather, the ability of the leaders to capture the rents from this oil wealth which has a more significant impact on democracy. The anti-democratic powers of oil only appeared to emerge in the late 1970s (Andersen & Ross, 2014). This was the time when the petroleum industries were nationalised in the majority of developing oil-rich countries and officials were able to seize most of the rents from the industry and anti-democratic tendencies became common practice (Andersen & Ross, 2014). Alternatively, Dunning argues that it is not the capture of rents which hinders democratisation, but rather a different condition entirely. He insists that democratisation is contingent upon the level of inequality – that in countries with low levels of inequality, oil impedes democratization. However, in countries with high levels of inequality, oil relieves elites of the fear that democracy will result in the sequestering of their personal wealth and thereby, hastens democratisation (Dunning, 2008). This condition was used to explain why countries in Latin America experienced democratisation as a result of oil, yet the rest of the world did not (Dunning, 2008).

When analysing the argument that more resources (or in this case, particularly, oil) leads to decreased democracy, it is vital to consider the rentier effect. As discussed earlier in the thesis,

the rentier effect occurs from an abundance of resource revenue flowing into the country which allows officials to decrease taxes and increase public goods and patronages, enabling them to simply buy off opponents and lessen the chance of uprising (Mahdavy, 1970; Crystal, 1990; Ross, 2001a). Essentially resource rent renders tax revenues unnecessary, freeing incumbents from accountability and granting them autocratic power. This does however, assume that democracy is closely linked with taxation and that increased tax revenues are associated with increased accountability on the part of government (Bates & Lien, 1985; Ross, 2004a; Brautigam, Fjeldstad & Moore, 2008). According to Morrison, non-tax revenue is correlated to regime stability – in both democracies and autocracies – albeit, through different ways: by leading to increased social spending in autocracies and by decreasing the taxation of elites in democracies (Morrison, 2009). The occurrence of the rentier effect was scrutinised in relation to data on multiple Sub-Saharan countries and was found that an increase in resource rents was met with diminished enforcement of tax and reduced demand for democratic governance (McGuirk, 2013). It was also found that resource rents do not impact the capability of leaders, but rather, the value officials place on staying in power (Robinson et al., 2006; Morrison, 2007; Caselli & Cunningham, 2009; Fish, 2005). This desire to remain in office is what leads incumbents to investing in “regime-preserving activities”, which results in the adoption of anti-democratic tendencies (Ross, 2013: 10).

The argument for oil prolonging autocracies does not stand unopposed and has been challenged by two major arguments. The first of which, questions the net effect of petroleum wealth: assuming oil has a negative direct effect on democracy. Herb asks whether this negative effect is not counteracted by a positive indirect effect of the increased incomes resulting from oil wealth, suggesting that these two effects counterbalance each other leading to oil having no net effect on democracy (Herb, 2005). This argument was subsequently countered by Alekseev and Conrad, who investigated the same issue, finding that oil’s direct effect on accountability is a greater threat to democracy, than the indirect benefits of oil wealth (Alekseev, 2009; Conrad, 2009). It has also been argued that Herb’s approach is too straightforward, as factors such as openness to trade, the level of human capital, quality of state institutions and the survival function of officials need to be taken into account (Ross, 2013: 10). The second challenge is causal identification – arguably, the correlation between autocratic rule and oil wealth could be endogenous or determined by omitted variables (Haber & Menaldo, 2010). In their study, they use data reaching as far back as 1800 to develop models which control for country and year fixed effects, which show that the oil-democracy association has little

statistical significance (Haber & Menaldo, 2010). Gurses concludes a similar result, using more modern data (Gurses, 2009). Consequently, these findings have been challenged, as Andersen and Ross argue that Haber and Menaldo failed to examine the more credible variation of the resource curse (that increased oil wealth aids autocracies, enabling them to stay in power for longer), that they came to invalid conclusions from their data and that changes over time in the “global distribution of petroleum rents” were overlooked (Andersen & Ross, 2014). Andersen and Ross, in turn, claim that oil rents only posed a threat to democratic transitions after the expropriations in the late 1970s, which allowed governments in developing countries to capture the rents from oil which had previously been seized by foreign companies (Andersen & Ross, 2014). Despite some opposition, it appears that the argument for oil wealth having a negative impact of democracy is the most convincing.

2.8 Resources and Institutions

A vital role in any regime, is played by institutions. Without strong, efficient institutions in place, be they political, economic or both, the state of governance in a country is severely impaired, disadvantaging the majority of members of society and placing the country under threat of external risks as weak institutions are ill-equipped to respond sufficiently. Indeed, institutional quality is so important that Menaldo argues that the ‘resource curse’ should instead be labeled the ‘institutions curse’ as it is not the existence of resources, themselves which have harmful impacts, but the quality of institutions which determine the impact of those resources (Menaldo, 2016). Ross denotes the quality of institutions as “the effectiveness of government bureaucracy, the incidence of corruption, the rule of law and more broadly, the state’s capacity to promote economic development” (Ross, 2013: 11). This section will analyse the relationship between resources and institutions according to many scholars in the field and will later incorporate the framework on which this thesis will be based – Acemoglu and Robinson’s *Why Nations Fail* – to explore the case of Botswana with reference to the mechanisms they have identified in association with resources and institutions. The research on resources and institutions can be separated into two categories – the quality of institutions and the extent to which resource wealth can inhibit the evolution of institutions. The first category regards the quality of institutions and how this quality may influence the effect that resources have on economic growth. In a country with weak institutions it is not unlikely that a resource boom – a positive fiscal shock – could have negative effects on the country, as observed by Tornell and Lane, who developed a model to explain this phenomenon. According to Tornell and Lane,

when a resource boom takes place in a country with weak institutions, that country is likely to suffer a “voracity effect”, in which the resource boom has a negative impact and leads to powerful groups in society struggling for the resource windfall which results in the windfall being squandered and failing to positively impact all members of society (Tornell & Lane, 1999). Mehlum, Moene and Torvik separate institutions further into “grabber friendly and producer friendly” – the former characterising institutions that are prone to corruption and the latter being those that are not – and argue that resource wealth lowers aggregate income in grabber friendly institutions but increases aggregate income in producer friendly ones (Mehlum, Moene and Torvik, 2006).

The second category considers whether the evolution of institutions is stunted by resource wealth. Just a few of the ways in which this could happen is firstly, by revenue volatility and the threat it poses to government’s ability to plan for the future as well as its impact on investment (Karl, 1997); secondly, resource wealth could lead to an expansion of government revenue so rapid that government is unable to manage it (Hertog, 2007; Ross, 2012). Thirdly, a boom in resource revenue increases government dependence on this revenue and impedes the states’ capacity to extract taxation from citizens, which leaves the state in a precarious position, with a weak government, vulnerable to rent-seeking and incompetent in formulating economic policy (Beblawi, 1987; Chaudhry, 1989; Karl, 1997). In addition, resource wealth is enticing and could potentially encourage candidates of a lower quality to compete for office and lastly, provoke politicians and those already in positions of power to dismantle the institutions which control the distribution of resources (Ross, 2001b). According to Beck and Leaven, who researched institutions in countries which had experienced transition post 1992, it is the variation in mineral exports which accounts for the variation in the institutions built (Beck & Leaven, 2006). A multitude of authors have reported an inverse correlation between resources and institutional quality in their research – among these, being Bulte, Damania & Deacon, 2005; Isham et al., 2005; Beck & Leaven, 2006; Knack, 2009; Anthonsen et al., 2012 and Sala-I Martin & Subramanian, 2013.

While the above describes the manner in which institutions are impacted by resources, it is important to note that under the ‘quality of institutions’ fall many categories – taxation, corruption, social infrastructure and law to name but a few. It is therefore crucial to consider the impact that resources have on these subcategories. In researching the impact of resources on tax systems, Knack distinguishes between the resources in relation to their impact on tax

systems, claiming that revenue from fuel resources is correlated with weak, inefficient tax systems, while non-fuel resource revenue is correlated with strong tax systems (Knack, 2009). Many scholars have also conducted research into resources and its impact on corruption, concluding that natural resource dependence is strongly correlated with the perception of corruption (Leite & Weidmann, 1999; Arezki & Brückner, 2011; Sala-I Martin & Subramanian, 2013). In an attempt to measure corruption more accurately, Andersen et al. have analysed the Bank of International Settlements' data on foreign deposits which have been placed in banks of countries which are usually used as tax havens such as Switzerland, the Bahamas and the Cayman Islands and interestingly found that after an increase in oil and gas rents is experienced in an autocratic country, it is matched by an increase in deposits into the accounts those citizens hold in these tax havens (Andersen et al., 2012). The same cannot be said for democratic countries with oil and gas revenue, however, their study indicates that at least 8% of oil and gas rents from autocratic countries is moved to individual, foreign accounts (Andersen et al., 2012). Similarly, Vicente's study which examined countries where oil had recently been discovered such as Sao Tome and Principe against those that had not such as Cape Verde, found that the oil discovery led to a significant increase in perceived corruption throughout public services (Vicente, 2010).

The corruption is undeniable in many countries blessed with resources and can be seen most clearly through public services at municipal level. Brollo et al. used a regression discontinuity design in order to track transfers from federal government to municipal government in Brazil and discovered that a 10% increase in windfall-type transfers, corresponded with a 10-12 point increase in corruption (Brollo et al., 2013). Further study of Brazilian municipal government found that an increase in oil revenue did in fact, result in an increase in funds allocated for public services and spending, however, most of this money failed to improve public infrastructure as it "went missing" and was likely absorbed by patronage and embezzlement by government officials (Caselli & Michaels, 2013). According to further research, resources have only led to increased corruption in countries which are not democratic, meaning that the impact of resources on institutions, might be conditional (Bhattacharya & Hodler, 2010). However, it must be acknowledged that while many countries claim to be democratic outwardly, the characteristics they exhibit remain anything but. Perhaps government ownership is another condition to consider. A study conducted among the Soviet Union's five richest petroleum states – Russia, Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan – uncovered that institutions are only weakened in oil rich countries where the government is heavily involved

in the petroleum industry and that strong fiscal institutions are likely to be found in oil rich countries in which the private sector plays a dominant role in the petroleum industry (Luong & Weinthal, 2010).

From the arguments laid out above, it is evident that resources and oil in particular, have a largely negative impact on institutions, influencing corruption, taxation and public service provision. However, despite the impact of resources on institutions seeming generally negative, it must be acknowledged that this impact is largely conditional as this is not always the case.

2.9 Conclusion

Like natural resources in many of the countries mentioned in this chapter, resource curse literature is vast and abundant. However, in order to provide a concise and comprehensive overview of the resource curse, this literature review has strived to present the most significant arguments of the leading scholars within the resource curse sphere of study. In order to achieve this, the chapter compared resource curse theory prior to 1980; when resources were largely considered a blessing to post 1980; when resource curse theory rapidly expanded to the largely negative theory with which society has become accustomed today. The resource curse was subsequently evaluated in relation to poor economic performance, the tendency to spark conflict and civil war as well as its potential to impact regime type and in particular, its propensity toward autocratic regimes. Finally, the resource curse is examined in relation to institutions and while resources have been proven to negatively impact the quality of institutions, this impact must be acknowledged as conditional and will be explored in great depth throughout the rest of the thesis.

Chapter 3: Analytical Framework

3.1 Introduction

Acemoglu and Robinson have analysed numerous country case studies in their book, *Why Nations Fail*. By gathering vast amounts of data throughout history, the authors have been able to identify factors which persist in prosperous nations and likewise, the factors present in ‘failed’ states. The authors credit institutions as the most significant factor in determining the success of a state in addition to other factors which together determine whether the political and economic institutions are inclusive or extractive. This thesis will use Acemoglu and Robinson’s *Why Nations Fail* as a framework with which to determine the factors which enabled Botswana to escape the resource curse. Given that Acemoglu and Robinson’s central argument is that the state of a nation’s institutions plays a critical role in determining whether or not that country will succeed or fail, this chapter will begin with a description of institutions. Importantly, institutions do not exist in isolation and the nature of the institution – inclusive or extractive – is itself determined by a multitude of factors. These other factors which will be analysed throughout this chapter are state centralisation, the ability to enforce rules and property rights and the ability to manage creative destruction. While these factors too, influence the nature of a nation’s institutions, it is vital to acknowledge that these factors stand resolute as elements which determine a nation’s success in an individual capacity. Fundamentally, the purpose of this chapter is to use the framework of Acemoglu and Robinson’s *Why Nations Fail* to provide insight and analysis into the three predominant factors which will be used to elucidate how Botswana was able to escape the resource curse.

Before delving into the framework of Acemoglu and Robinson’s *Why Nations Fail*, it is beneficial to examine the study’s theoretical approach in relation to the framework. The thesis uses the historical institutional approach which is similar to that of *Why Nations Fail* and has indeed, been chosen for this reason, as it allows for a clearer and more direct comparison and adoption of the framework. Historical institutionalism is described as an “ontologically open theoretical approach to research, examining empirical puzzles with a portable set of concepts that foreground contemporal contexts (Jackson, 2017: 259). In other words, it’s a research approach which focuses on the manner in which insitutions determine how political actors behave which subsequently, impacts political outcomes (Cartwright, 2018: 383). Historic

institutionalism maintains that institutional change can only take place when agents of the state (political actors) operating inside those institutions, are able to change them (Bell & Feng, 2019: 6). Nevertheless, the approach also argues that these political actors are constrained by institutions as it is these institutions which shape the actions of the agents in the first place (Hameiri, 2020: 638). A strength of this approach rests in its constraint of political actors because the fact that agents are constrained, means that institutions can be used to explain all other phenomenon (Hameiri, 2020: 642).

Due to historical institutionalism's insistence on political actors being the only ones capable of inciting institutional change, there is a branch of historical institutionalism which postulates that institutional change is provoked by a critical juncture. This critical juncture is used by Acemoglu and Robinson to explain multiple institutional changes or turning points in case studies throughout their book and it can be understood as an external shock that "causes disruption and provides opportunities for agents to reconfigure institutions" (Capoccia & Kelemen, 2007). Fundamentally, historical institutionalism proclaims that the origin of institutions is relevant as it determines how they operate, change and exist (Rixen & Viola, 2016: 10). Acemoglu and Robinson's *Why Nations Fail* is premised on this approach which is ultimately used in this thesis to explain why Botswana was able to escape the resource curse – its institutions.

3.2 Acemoglu and Robinson on Institutions: Inclusive vs Extractive

Nogales Sonora and Nogales Arizona are identical in all ways but one. They share the same geography, climate, are susceptible to the same diseases, their inhabitants are from the same background, enjoy the same music and food and arguably have the same "culture" (Acemoglu & Robinson, 2012: 19). Despite the basic characteristics of these cities being the same, the quality of life, education levels, healthcare and average earnings are vastly unequal and all stem from one key difference – their institutions (Acemoglu & Robinson, 2012: 19). It may be difficult to comprehend one factor having such significant influence, however, it is indeed the quality of the institutions and in actuality, one fence, which separate these otherwise identical cities. Nogales Sonora which is in Mexico, is characterised by poor healthcare, high infant mortality rates, poor average education levels, high crime rates, high levels of corruption and a newly established democracy (Acemoglu & Robinson, 2012: 18-19). The disparities between Nogales Sonora and just a few feet away, its counterpart, Nogales Arizona could not be more

extreme. Residents of Nogales Arizona enjoy an average income of roughly 3 times that of those in Nogales Sonora, education levels are significantly higher with the majority of adults having graduated from high school and the majority of teenagers, enrolled in high school, a decent standard of healthcare is available for all citizens with life expectancy being one of the highest in the world (Acemoglu & Robinson, 2012: 18). Citizens go about their daily lives free from fear of their lives and from expropriation of their investments as they enjoy secure property rights as well as public infrastructure and services such as telephones, roads, safe sewage and waste removal, law and order and an overall functioning democracy (Acemoglu & Robinson, 2012: 18).

According to Acemoglu and Robinson, the primary driving factor behind this disparity is institutions – the type of institutions, both political and economic which have been adopted and developed throughout the years. They separate institutions into political and economic which can again be separated into inclusive or extractive. The nature of the institution will largely impact on society as well as the economy and will determine the impact that resources have on the country. The authors use many country case examples to substantiate their findings which this thesis will use to illustrate the role of institutions, particularly in relation to Botswana, demonstrating the importance of institutions in determining the impact of resources.

It is imperative at this point that the thesis delves into Acemoglu and Robinson's definition of institutions as well as explore their varying characteristics. "Each society functions with a set of economic and political rules created and enforced by the state and the citizens collectively" (Acemoglu & Robinson, 2012: 55). In order to understand the gravity of the influence institutions have on society, it must be acknowledged that these different institutions create different incentives and as these institutions "influence behaviour and incentives in real life, they forge the success and failure of nations" (Acemoglu & Robinson, 2012: 55). Economic institutions therefore shape economic incentives, which typically include: the incentive to save and invest money, acquire an education, innovate and create business ventures and adopt new technologies (Acemoglu & Robinson, 2012: 55). By contrast, political institutions shape political incentives, as they determine how government is chosen and which part of government has the capacity to do what (Acemoglu & Robinson, 2012: 94). Political institutions include the constitution and whether or not the country is a democracy and also determine the extent to which citizens can control politicians and influence their behaviour (Acemoglu & Robinson, 2012: 55). This ability of citizens greatly impacts whether politicians are "agents of the

citizens” or whether they are able to use their power to pursue personal agendas and amass personal wealth, generally at the expense of the citizens (Acemoglu & Robinson, 2012: 55). Political institutions play a pivotal part in any nation, as they are responsible for the political process which determines the type of economic institutions under which society functions (Acemoglu & Robinson, 2012: 55).

According to Acemoglu and Robinson, “economic institutions are critical for determining whether a country is poor or prosperous” (Acemoglu & Robinson, 2012: 56). With this in mind, the gravity of the type of economic institution cannot be underestimated and it is important to establish the difference between inclusive economic institutions and extractive economic institutions. Inclusive economic institutions consist of five factors – secure property rights, unbiased law system, public service provision, allow new businesses to enter the market and finally, permit individuals to choose their own career (Acemoglu & Robinson, 2012: 89). Under this type of economic institution, economic activity will be encouraged and productivity as well as the economy will flourish (Acemoglu & Robinson, 2012: 89). Alternatively, extractive economic institutions seize income and wealth from one group in society in order to enrich a different group in society (Acemoglu & Robinson, 2012: 90). This generally occurs in the form of income being extracted from the majority of citizens in order to benefit government officials and includes insecure or in some cases, no property rights, the prohibiting of citizens in making economic decisions and failure of public service provision among others (Acemoglu & Robinson, 2012: 90). Extractive economic institutions rarely coincide with prosperous economies, however, Acemoglu and Robinson acknowledge that under certain circumstances, extractive economic institutions can lead to economic growth. The only way for this to happen is if elites allocate resources to activities which they control that are highly productive and if these institutions allow the development of economic institutions which are somewhat inclusive (Acemoglu & Robinson, 2012: 106). However, it is not often that this is the case as extractive economic institutions are likely a result of extractive political institutions and while they may enjoy economic prosperity, it has never before been sustained (Acemoglu & Robinson, 2012: 151).

Like economic institutions, it is also important to establish the difference between inclusive political institutions and extractive political institutions. Essentially an inclusive political institution is one which benefits everyone – in other words a government which works for the good of all citizens, providing public infrastructure and comprising of leaders who place the

needs of citizens before their own (Acemoglu & Robinson, 2012: 93). Alternatively, extractive political institutions are entirely the opposite as they are institutions which benefit only a small group – generally the political elites, while the majority of citizens' needs are ignored, and public goods and services fail to be adequately provided (Acemoglu & Robinson, 2012: 93). Typically, a political institution is inclusive if power is distributed broadly and the state is pluralistic and centralised; however, if the state is absolutist with an extremely narrow distribution of power, then the political institutions are exclusive (Acemoglu & Robinson, 2012: 94). With reference to the Nogales Arizona and Nogales Sonora example, Nogales Arizona has inclusive political institutions while the political institutions in Nogales Sonora are extractive.

Naturally, the next question would be: is it possible for institutions to change? According to Acemoglu and Robinson, institutions “are deeply rooted in the past” and generally persist long after they are created (Acemoglu & Robinson, 2012: 56). This is not to say that they cannot be changed, as Acemoglu and Robinson admit that institutions will only change if those with the ability to change them (i.e. politicians), want them to change – however, this is not likely, as generally, the politicians are those that benefit from extractive institutions and by transforming the institutions to be more inclusive, will lose those benefits (Acemoglu & Robinson, 2012: 57). It is for this reasons that institutions tend to persist long after being created. One major factor which must be acknowledged is colonial rule and the influence it had on institutions. Colonial rule reinforced extractive institutions and is used to explain the “vicious circle” of institutions in the majority of post-colonial nations. The tendency of institutions to persist has been dubbed the “vicious circle” for extractive institutions and the “virtuous circle” for inclusive institutions – meaning that once institutions are extractive, they will remain extractive and vice versa for inclusive institutions (Acemoglu & Robinson, 2012: 95). According to Acemoglu and Robinson, inclusive political institutions and extractive economic institutions will cause a nation to be unstable, however, it is when a country has both extractive political institutions and extractive economic institutions that the nation will fail (Acemoglu & Robinson, 2012: 95). Needless to say, with both extractive political and economic institutions, it is virtually impossible for a resource abundant country to escape the resource curse.

3.3 Acemoglu and Robinson on State Centralisation

Acemoglu and Robinson emphasise the largely positive impact of state centralisation. While they acknowledge the possibility of economic prosperity without centralisation, they insist that it will be short-lived. According to Acemoglu and Robinson, there is a strong correlation between state centralisation and inclusive economic institutions; as well as a significant link between pluralism and inclusive economic institutions which they determine using the United States and South Korea's inclusive political and economic institutions as an example (Acemoglu & Robinson, 2012: 94). Indeed, they go on to claim that institutions can only be considered inclusive if both the elements of pluralism and state centralisation are present, and even if one of these variables were to be absent, the institutions will then be considered extractive (Acemoglu & Robinson, 2012: 95).

State centralisation allows the state to expand its capability and capacity in all aspects (Acemoglu & Robinson, 2012: 213). This was evident in England after the Glorious Revolution in 1688 made their institutions more inclusive. Indeed, parliament was now able to raise revenues by enlarging its tax base, increasing state supervision of society to a level higher than the majority of developing countries are able to achieve today, appointing bureaucrats based on merit over their social standing and improving infrastructure used to run the country (Acemoglu & Robinson, 2012: 214). Essentially, the degree of state centralisation resulting from the Glorious Revolution, was able to expand the capacity and capability of the state.

In addition, state centralisation also enables the state to provide increased public goods and improved infrastructure as well as enhance unity within the state. Observe England two-hundred years later, as an example, in the late 1800s, by continuing the process of state centralisation, they were able to further increase the inclusiveness of their political and economic institutions, amending labour market legislation in favour of workers, providing more public services such as unemployment and health insurance, minimum wage, state-financed pensions and redistributive taxation (Acemoglu & Robinson, 2012: 357). As a result, the lower social strata were able to benefit as taxes became more progressive and the education system was opened to all children as the Education Act of 1870 made education accessible to the poor (Acemoglu & Robinson, 2012: 358). The process of state centralisation undoubtedly increased the inclusiveness of political and economic institutions which benefitted the masses and molded England into a democracy.

After examining Acemoglu and Robinson argument on state centralisation, there is an overwhelming sense that state centralisation has a positive impact on societies throughout history. With state centralisation, comes more inclusive institutions, an inclination to adopt new technologies and subsequently, advancement in relation to nations averse to technological change, greater capacity and capability of the state, improved provision of public goods and services as well as increased unity within the state.

3.3.1 A State Without Centralisation:

Furthermore, Acemoglu and Robinson use case studies of countries lacking state centralisation as a stark comparison.

The concept of state centrality is by no means, a modern notion. According to Max Weber's definition of the state, one vital condition is that the "monopoly of legitimate violence in society" belongs to the state (Acemoglu & Robinson, 2012: 94). Accompanying this monopoly, is a degree of state centralisation which enables that state to enforce law and order, encourage and regulate economic activity and provide services and infrastructure (Acemoglu & Robinson, 2012: 94). Without any centralisation, the state is unable to fulfil these duties and is bound to descend into anarchy. This is the case in Somalia, which has no real authority to govern and control the country, as power is distributed widely among various clans which are extremely antagonistic with no one clan able to dominate the others which has resulted in chaos and conflict (Acemoglu & Robinson, 2012: 94). This lack of state centralisation has led to anarchy, constraining the state from enforcing even the slightest amount of law and order, supporting trade and economic activity or providing security for its citizens (Acemoglu & Robinson, 2012: 94).

It appears that even the smallest degree of state centralisation determines the difference between state collapse and economic growth. Countries with no centralisation such as Somalia or Afghanistan are unlikely to experience any form of growth, even under extractive institutions, nor are they likely to take steps toward more inclusive institutions (Acemoglu & Robinson, 2012: 476). However, even countries with extractive institutions and a small degree of political centralisation, such as Burundi, Rwanda and Ethiopia, have managed to achieve growth (Acemoglu & Robinson, 2012: 476). Acemoglu and Robinson, too, have stressed that

nations without a degree of centralisation are the ones which were averse to technology and as a result, were left behind during the Industrial Revolution (Acemoglu & Robinson, 2012: 139). In addition, non-centralised nations are generally those which do not enforce secure property rights which has devastating economic effects as an absence of property rights destroys economic incentive and thereby, economic activity and growth (Acemoglu & Robinson, 2012: 260).

In addition to having no monopoly over the use of force, nations are also less likely to take advantage of technological advancement, enforce secure property rights or achieve growth or any form of inclusive institutions without state centralisation. Even Africa's inability to keep up with the rest of the world in terms of political development, technology and prosperity has been attributed to its late adoption of state centralisation (Acemoglu & Robinson, 2012: 130).

Nevertheless, Acemoglu and Robinson acknowledge that growth can be achieved under extractive institutions, however, it does require a degree of state centralisation (Acemoglu & Robinson, 2012: 108). Even so, the authors caution that growth under these extractive institutions is unlikely to be sustainable. They explain that rapid economic growth can be achieved by allocating resources and people by force, however, this cannot be maintained over long periods of time and if both political and economic institutions are extractive, society will lack the incentives needed to adapt to technological change and handle creative destruction and which will thereby impede upon growth (Acemoglu & Robinson, 2012: 108). This can be seen most clearly in the Soviet Union in the 1970s. The Soviets enjoyed significant economic growth under extractive institutions by means of allocating substantial amounts of resources to the military which were used to develop military technologies enabling them to surpass the US in the space and nuclear race for a period of time (Acemoglu & Robinson, 2012: 109). The Soviet Union, however, failed to incorporate technological change or creative destruction, which condemned the possibility of sustainable growth and brought it to an abrupt end (Acemoglu & Robinson, 2012: 109).

Another danger concerning growth under extractive institutions is the nature of the extractive political institution itself. By its nature, the "arrangements" supporting economic growth under such institutions are fragile and can collapse or be destroyed by infighting which the extractive institutions inherently produce (Acemoglu & Robinson, 2012: 109). As has been briefly touched upon before, extractive institutions produce a winner-takes-all environment, generally

ruled by an elite minority, in whose hands all power and wealth is concentrated. This sweetens the reward for insurgents who overthrow this elite and subsequently assume control over the state which lead to infighting and possibly even civil war. Along with civil war, comes lawlessness, and a breakdown in even the smallest degree of state centralisation which had remained prior to the conflict severely curtails any possibility of sustained growth (Acemoglu & Robinson, 2012: 109). The authors additionally express concern over extractive institutions with inclusive aspects. They warn of the danger of economic growth being terminated as these economic institutions become more extractive in nature which is likely to result in the political elite, using their power to limit competition and even loot from others as this will stand them in better personal, financial stead than supporting economic progress and growth (Acemoglu & Robinson, 2012: 109). Any economic progress is undercut by the power of elites under extractive political institutions and demonstrates the power of political institutions in determining the type of economic institutions (Acemoglu & Robinson, 2012: 109-110).

While centralisation is hailed as the savior of nations and institutions, Acemoglu and Robinson also acknowledge a darker side of centralisation - absolutism. “The process of political centralisation also ushers in an era of greater absolutism” (Acemoglu & Robinson, 2012: 234). Absolutism is rule which is not subject to the law or any other actors in society, however, in actuality, an absolutist will rule with the support of a small group or elite (Acemoglu & Robinson, 2012: 233). Absolutists use institutions for their own personal gain and ironically, absolutists, who have highly centralised political power, as well as a state which lacks political centralisation, both serve as barriers to industry as they both fear creative destruction and the effects of technological advancement (Acemoglu & Robinson, 2012: 233). In fact, one of the reasons why greater political centralisation is so often resisted, is due to the probability of greater centralisation leading to absolute rule (Acemoglu & Robinson, 2012: 233). An example of absolutist rule can be found in Russia during the reign of Peter the Great. Attempting to forge a modern bureaucratic state and army, Peter stripped the Boyars – the old aristocracy – of their power, set up a new capital in Saint Petersburg, abolished the Duma which had been responsible for appointing him as czar, announced a new social hierarchy and took control over the church – essentially centralising political power and redirecting it towards himself (Acemoglu & Robinson, 2012: 234). Centralisation in an absolutist sense, resulted in the persistence of a different form of extractive political institutions.

3.3.2 The Importance of State Centralisation

The brief case studies above have demonstrated that with state centralisation, come more inclusive institutions, an inclination to adopt new technologies and subsequently, advancement in relation to nations averse to technological change, greater capacity and capability of the state, improved provision of public goods and services as well as increased unity within the state. Alternatively, without state centralisation, nations have no monopoly over the use of force and are more likely to have extractive institutions which curtail economic growth and prevent the provision of goods and services ultimately increasing the possibility of conflict and state collapse. Nations are also less likely to take advantage of technological advancement, enforce secure property rights or achieve growth or any form of inclusive institutions without state centralisation. Michalopoulos and Papaioannou agree with Acemoglu and Robinson. They argue that pre-colonial political centralisation is a vital determinant of contemporary economic performance and that differences in pre-colonial ethnic institutions significantly impact post-colonial development outcomes (Michalopoulos & Papaioannou, 2012: 1).

Essentially, Acemoglu and Robinson argue that state centralisation is critical for a nation's success. The thesis will use this framework to analyse Botswana and indicate that the degree of state centralisation is an important factor explaining how Botswana escaped the resource curse.

3.4 Acemoglu and Robinson on the Enforcement of Rules and Property Rights

“Without a centralised state to provide order and enforce rules and property rights, inclusive institutions could not emerge” (Acemoglu & Robinson, 2012: 233). Related to state centralisation is the ability of a state to enforce rules and property rights. The degree to which these rules and property rights are imposed offers a significant indication into the success or failure of a state according to Acemoglu and Robinson. This section will begin by exploring what the authors mean by ‘rules’ and ‘property rights’, followed by an analysis of their roles within society and their impact on institutions and thereby the success of the nation as well as the impact of the lack of such laws and rights.

3.4.1 Enforcement of the Rule of Law

“Each society functions with a set of economic and political rules created and enforced by the state and the citizens collectively” (Acemoglu & Robinson, 2012: 55). These rules serve to determine how citizens may act and interact within society and most notably influence incentives. This thesis will focus on rules within a political and economic sphere and emphasise the association between rules and institutions. Acemoglu and Robinson regard political institutions as the rules regulating political incentive – essentially governing who has the power in society and what that power enables them to do – and it is the strength of these institutions which determine the power and ability of the state to govern and regulate society (Acemoglu & Robinson, 2012: 94). Likewise, economic institutions are responsible for shaping economic incentives such as the incentive to save money or invest, to create new technologies and the incentive for education (Acemoglu & Robinson, 2012: 55). Institutions are integral to the rules which govern society and that the incentives created by these institutions decide how citizens and political agents function within society.

The nature of the institution as well as the incentives derived from it can have vastly different impacts on citizens and society. Take the US as an example: entrepreneurs such as Bill Gates, Steve Jobs and Jeff Bezos were incentivised to further their education through the US school system, set up companies and acquire financing without having to overcome overwhelming barriers due to the inclusive nature of the US’s economic institutions (Acemoglu & Robinson, 2012: 55-56). These institutions allowed for the emergence of labour markets which enabled such entrepreneurs to employ qualified subordinates and the competitive US market allowed their businesses to expand and market their products (Acemoglu & Robinson, 2012: 56). The inclusive nature of the political institutions in the US provided an air of stability within the country, reassuring such entrepreneurs that the rule of law enforced by these institutions could be trusted and that they need not be concerned over the security of their property rights (Acemoglu & Robinson, 2012: 56). Alternatively, countries with extractive institutions fail to incentivise the majority of the population, but rather enrich a small elite. One example is Mexico which in some cases has insurmountable barriers to enter the market. These barriers being politicians or officials blocking entry, expensive licenses or struggling to acquire funding due to finance houses being in cahoots with corrupt officials (Acemoglu & Robinson, 2012: 51). These barriers are both a blessing and a curse – a blessing to those who are in favour with politicians as these barriers prevent competition and enable them to monopolise industries or a

curse for those without political connections who are unable to contravene such barriers (Acemoglu & Robinson, 2012: 51). Carlos Slim is an ideal example – currying favour with politicians, he was able to monopolise multiple industries in Mexico, becoming the richest man in the world in 2010 due to the nature of Mexico’s extractive institutions (Acemoglu & Robinson, 2012: 52). However, when attempting to breach the US market, Slim violated rules enforced by the US and was forced to pay a hefty \$454 million fine (Acemoglu & Robinson, 2012: 52). Slim’s violation would not be charged with such heavy financial cost – or any cost at all – were he to have conducted it in Mexico. However, it is due to the nature of the institutions which determines the rules under which actors are to conduct business.

This example of the entrepreneurs within the US and Mexico distinctly indicates that inclusive institutions create incentives which ultimately benefit all citizens such as in the US and extractive institutions benefit a select few, but ultimately disadvantages the majority of society as in Mexico. It is for this reason that Acemoglu and Robinson insist that in order for inclusive institutions to persist, a degree of centralisation as well as the enforcement of rules and property rights must exist within a society (Acemoglu & Robinson, 2012: 233).

The role of centralisation in the enforcement of rules and property rights should not be underestimated. Acemoglu and Robinson express most clearly, that a lack of political centralisation is closely associated with an absence of rules and secure property rights (Acemoglu & Robinson, 2012: 260). This can be seen most notably in Columbia – a country with a distinct lack of state centralisation. Columbia is characterised by lawlessness and insecure property rights which are attributed to its inability to enforce rules (Acemoglu & Robinson, 2012: 424). While centralisation allows countries the ability to enforce law, it can also allow elites to control rules and property rights to the detriment of society. As can be seen in Barbados, Jamaica, Haiti and Cuba, the planter elite would not have been able to maintain their assets and property while simultaneously constricting the rights of workers to maintain a sense of law and order, were it not for the degree of centralisation (Acemoglu & Robinson, 2012: 108). A further danger is that in some cases, leaders are enforcing rules, however, the rules they enforce were not charted for the betterment of society. For example, Santa-Ana and Diaz – military men who came to power in Mexico – violated property rights, expropriated land and allowed monopolies and business favours to their supporters, however, none of this infringed upon the law outlaid in the constitution because the rules of the constitution had been

changed so as not to apply to them (Acemoglu & Robinson, 2012: 47). For the betterment of society, it is imperative that the rules being enforced, are ones that pertain to everyone.

While the enforcement of unequal rules can have detrimental effects on society, so too can the absence or lack of enforcement of rules, be equally as damaging, as the case of Somalia. It is evident that the lack of centralisation and enforcement of rules have devastating consequences and that essentially, without rules, a nation is bound to descend into chaos.

In conclusion, it is imperative that a state has a degree of centralisation to enforce rules adequately, has inclusive institutions which create incentives for the whole of society and that the rules being enforced are fair in order for a state to prosper and work towards the betterment of society.

3.4.2 Enforcement of Property Rights

Quite simply, secure property rights make for a prosperous society (Acemoglu & Robinson, 2012: 103). In order for secure property rights to be entrenched, it is important that rules be enforced and the institutions which make and enforce those rules be developed (Acemoglu & Robinson, 2012: 155). Like rules, the enforcement of property rights is closely associated with state centralisation and the nature of institutions which play an integral role in determining whether or not the property rights of citizens are secure or insecure. This section will briefly define property rights, followed by an examination of the effects of secure property rights and consequently the impacts of insecure property rights. By use of example, this section will demonstrate the positive impact of secure property rights and likewise, the negative consequence of insecure property rights, arguing that states with inclusive institutions and secure property rights will achieve greater prosperity over those with extractive institutions and insecure property rights which generally impoverish, and disadvantage society as has been the case in a number of countries.

There is a distinct connection between property rights and institutions emphasised by Acemoglu and Robinson, with secure property rights related to inclusive institutions and insecure property rights related to extractive institutions. This thesis refers to property rights as an individual's right to own, buy or sell land as they wish as well as the right to use that land for any desired purpose such as living, cattle grazing, farming, loaning or even as collateral on

a loan. Property rights also come in the form of ideas or intellectual property which are protected under the patent system. A patent is effectively an “exclusive right” to undertake a particular activity and was devised as a way to safeguard those who had such business ideas against others who might steal their idea and use it as their own (Acemoglu & Robinson, 2012: 45).

Having established an understanding of property rights, this section will delve into the importance of secure property rights and why they are a fundamental aspect of any successful society. Firstly, the association between property rights and institutions cannot be overemphasised. In order for an economic institution to be inclusive, it must have secure property rights among other characteristics such as a system of law and public services provision and importantly, these rights need to be enjoyed by the majority of the population in order to create a level playing field (Acemoglu & Robinson, 2012: 89). The reason why secure property rights are crucial for inclusive economic institutions is because citizens with such rights are more likely than not, willing to make financial investments which thereby increase productivity (Acemoglu & Robinson, 2012: 89). A potential businessman who expects his profit or output to be expropriated, stolen or heavily taxed is unlikely to start his business, work, invest or innovate because insecure property rights do not create economic incentives (Acemoglu & Robinson, 2012: 89). Alternatively, a potential businessman with secure property rights, who has the ability to exchange and contract and can rely on the state to impose law and enforce private contracts is more likely to benefit from the profit he makes which creates incentive to continue investing, innovating and conducting business activities (Acemoglu & Robinson, 2012: 90). When citizens can trust that their property rights are secure, they are far more likely to engage in business activities which will ultimately increase production and productivity which in turn, grows and sustains the economy of the state.

The stark contrast in the type of economies and markets created by property rights can be seen most distinctly in the differences between North and South Korea. Insecure property rights in North Korea meant that few had the incentive to work or invest which significantly impacted on their economic productivity as no new technologies were adopted, agricultural productivity decreased, and many suffered as a result of famines and total economic stagnation (Acemoglu & Robinson, 2012: 87). Alternatively, South Korea had secure property rights which encouraged education and incentivised investment, innovation and the adoption of new technologies which increased productivity and earned them the title of one of East Asia’s

“Miracle Economies” (Acemoglu & Robinson, 2012: 87). South Korea has open markets which allow people to buy or sell as they please, whereas, North Korea’s markets are so restrictive that if people wish to buy or sell, they are forced to use the black market (Acemoglu & Robinson, 2012: 88). “North Korean stagnation led to a tenfold gap between the two halves of this once-united country” (Acemoglu & Robinson, 2012: 87). By this statement it is clear that these two countries, albeit extremely different in leadership and institutions, essentially have the same geography, culture and history, yet are so distinctly separated due to the nature of their institutions and the difference in property rights.

In addition to secure property rights contributing to the flourishing economies, they also enable the building of further infrastructure and increased innovation and change which arguably is what allowed for the Industrial Revolution to take place. As was the case in England; the Glorious Revolution facilitated the adoption of more inclusive economic institutions and therefore, secure property rights. The enforcement of secure property rights as well as the state’s aggressive promotion of mercantile activities aided in increasing economic productivity which enabled a significant increase in the construction of infrastructure such as roads, canals and railways which proved invaluable for the industrial growth which followed (Acemoglu & Robinson, 2012: 117). The emergence of secure property rights led to the reorganisation of economic institutions, particularly, in favour of entrepreneurs and innovators. This can be seen most clearly through the increase in investment in roads and railway during the “transport revolution” which aided in reducing the cost of transport, paving the way for the industrial revolution (Acemoglu & Robinson, 2012: 214). Prior to the transport revolution, such investment was forbidden by acts of the Stuart Kings, however, following the Glorious Revolution, institutions were altered, and secure property rights enforced (Acemoglu & Robinson, 2012: 215). This enforcement of secure property rights and subsequent transport revolution is what arguably allowed for the emergence of the Industrial Revolution in England.

While secure property rights benefitted society as a whole through the expansion of infrastructure as well as revolutions in industry and transport, it has also facilitated individuals in the accumulation of personal wealth. In the late 1880s in Transkei, South Africa, a substantial number of natives showed interest in purchasing land and due to newly secure property rights, were able to do so. Within three years, the acres of land owned by natives more than doubled to 90 000 acres and the number of natives who owned this land increased to about 8 000 (Acemoglu & Robinson, 2012: 304). These natives had invested in this land as well as

in wagons and irrigation systems in order to farm it and make money (Acemoglu & Robinson, 2012: 302). Another account can be taken from Sonjica from the Ciskei, who in response to secure property rights opened a bank account and saved as much money as he could until he could afford oxen, agricultural gear, a plough and a small farm which he used to earn his living and make a profit (Acemoglu & Robinson, 2012: 304). With the enforcement of secure property rights came the ability of individuals to make their own personal wealth while still contributing to the economy. This however, did have major impacts on those in power as individual wealth served to limit their authority.

Lastly, it must be clarified that secure property rights must be awarded to the majority of people in society or else a level playing-field will not be established (Acemoglu & Robinson, 2012: 89).

3.4.2.1 The Danger of Insecure Property Rights

Insecure property rights are typically characteristic of extractive economic institutions and can have crippling effects on a nation. As has been explored above, secure property rights tend to increase incentive, productivity and economic growth, while insecure property rights have the exact opposite impact. Insecure property rights decrease incentives to work, invest or innovate, leading to a decrease in productivity and economic stagnation (Acemoglu & Robinson, 2012: 87). This can be seen particularly through the North and South Korea example outlined earlier which indicates how essentially one unified country can evolve into two completely disparate countries having far-reaching, lasting consequences due to the difference in the nature of their property rights.

Insecure property rights or in actuality, an absence of property rights has further consequences for ordinary citizens as it excludes those who are not allocated property rights and, in a society, where the property rights of all citizens are insecure, it tends to enrich the elite. In a society in which the property rights of a few are inhibited, such as in 18th century Britain, those who possess such rights are at a significant advantage. Despite Britain's economic and political institutions being inclusive, convicts were barred from enjoying such inclusiveness and during this time, had practically no rights (Acemoglu & Robinson, 2012: 316). Convicts were prohibited from owning property, – land or possessions - were forbidden to sue another party in court or even provide evidence in court which left convicts vulnerable to all sorts of criminal

activities against them which otherwise would be tried, but due to their criminal status, could not be taken to court and the convicts not awarded justice (Acemoglu & Robinson, 2012: 316). Removing the property rights of a certain section of society is dangerous for those people as it puts them at risk of exploitation by others and eradicates the very basic human right of justice. While it could be argued that convicts, given their past, do not deserve property rights, this example still clearly indicates the distinct disadvantage experienced by those who are not awarded secure property rights.

The above example demonstrates the disadvantage of insecure property rights for a select group of individuals, however, the situation is made far worse when it is the entire population who is denied secure property rights as was the case in Ghana during the latter half of the 20th century. Prohibiting property rights for the majority of a population leads to an impoverished nation; however, property rights are not denied because leaders believe it to be constructive economic policy or because they deem it advantageous political practice, but rather because it enables them to enrich themselves at the expense of the population and likewise, remain in power by buying the elites' support (Acemoglu & Robinson, 2012: 80). Kofi Busia, the Ghanaian prime minister from 1969 practiced such economics, implementing unsustainable expansionary policies, controlling prices through marketing boards and maintaining an overvalued exchange rate to name a few (Acemoglu & Robinson, 2012: 80). Busia did not implement such policies because he believed them to be good economic practice, but rather because they were good for politics – allowing him to transfer resources to groups with political power (Acemoglu & Robinson, 2012: 81). Busia's price controls "squeezed agriculture, delivering cheap food to the urban constituencies" which aided in raising revenue to fund government spending – a practice which could not be sustained, resulting in a balance-of-payments crisis, foreign exchange issues and eventually the substantial devaluation of Ghana's currency (Acemoglu & Robinson, 2012: 81). In many cases where people are denied property rights, it is for the sole purpose of the enrichment of the leaders and elites. This is not to say that this is the case in all countries with insecure property rights, however, insecure property rights do lend themselves to elite enrichment more so than secure property rights.

Correspondingly, a similar outcome was experienced by the majority of Zimbabweans under Mugabe's ZANU-PF. In response to a loss of his grip on power during elections due to his corrupt ZANU-PF party and extractive institutions, Mugabe embarked on a sequence of land occupations and expropriations beginning in 2000 (Acemoglu & Robinson, 2012: 412). It was

a “full-scale assault” launched on white landowners and was carried out by war veterans’ organisations and groups of people who were allegedly combatants in the war of independence and while much of the expropriated land was allocated to these groups, the majority of the land confiscated, fell into the hands of ZANU-PF elite (Acemoglu & Robinson, 2012: 412). It was not long before productivity and agricultural output collapsed and in a desperate attempt to redeem the economy, Mugabe began to print money in an effort to buy further support, however, this only worsened the tumbling economy as hyperinflation set in and the Zimbabwean Dollar became nothing more than a “worthless piece of paper” (Acemoglu & Robinson, 2012: 412-413). Zimbabwe’s economic and political institutions had long been extractive and after independence in 1980, Mugabe simply took over the reins of these extractive institutions. While the country ticked over for two decades with relative peace and stability under these extractive institutions, it was only once property rights were made insecure in 2000 that the real problems began, leading to economic and arguably state collapse. This indicates the significance of the role of property rights in society and too demonstrates how the removal of property rights can lead to national disaster.

As this section has thoroughly established, the absence of secure property rights which is usually accompanied by extractive institutions will be to the detriment of society in the majority of cases, leading either to economic collapse, productivity decreases, conflict, shortages in agricultural output or all of the above. While each country case is different and has its own individual aspects and reasons for the undermining of property rights, one common factor is state centralisation. Crucially, state centralisation is not a one-sided issue, but something far more complex as both the lack of state centralisation as well as the abundance of it tends to have a negative impact on secure property rights. The solution to this debacle offered by Acemoglu and Robinson is that despite potential negative consequences of state centralisation, it remains a necessary element of a successful society in which rules and property rights are protected. Needless to say, it is important to acknowledge that secure property rights need to be afforded to all members of society for a nation to thrive on equal opportunity.

As has been analysed, the issue of state centralisation cannot be overlooked as without it, property rights cannot be enforced and with too high a degree of state centralisation comes the danger of property rights being exploited due to a lack of pluralism and unchecked power. Perhaps the answer should not rest on the degree of state centralisation alone, but rather on the degree of state centralisation in relation to the nature of institutions. Effectively, Acemoglu and

Robinson's argument can be reduced to simple terms – that there is a “link between inclusive economic and political institutions and prosperity” because through inclusive institutions, property rights are more easily enforced, a level playing field as well as economic incentive is created and as a result, economic growth and prosperity can be achieved (Acemoglu & Robinson, 2012: 470). Inclusive political institutions ensure that power is distributed pluralistically while the government still wields enough power to enforce rules and property rights (Acemoglu & Robinson, 2012: 471). Extractive institutions have the opposite effect which is why Acemoglu and Robinson conclude that a country with such institutions, is destined for poverty and state failure, while it is the countries with inclusive institutions which succeed (Acemoglu & Robinson, 2012: 494). Therefore, it can be concluded that in order for a state to function at its best, it requires rules and secure property rights to be enforced – a combination derived from the necessary degree of state centralisation through inclusive political institutions coupled with fully-functioning inclusive economic institutions.

Property rights are an integral part of a successful nation. As Acemoglu and Robinson have highlighted most fervently throughout their book, there is a distinct correlation between secure property rights and inclusive institutions and likewise, between insecure property rights and extractive institutions. Secure property rights incite economic incentives which motivate citizens to work, attain an education, invest and innovate which results in a thriving economy enabling international trade, construction of infrastructure and overall economic growth. Alternatively, insecure property rights do not stimulate such motivation as citizens fear any wealth or property accumulated is at risk of expropriation. In turn, this leads to low productivity, economic stagnation and commonly, widespread impoverishment at the hands of the elite. It must be noted that for secure property rights to be enforced, a degree of state centralisation is required and that importantly, secure property rights need to be afforded to all members of society in order for a nation to prosper.

3.4.3 The Importance of the Enforcement of Rules and Property Rights

After analysing Acemoglu and Robinson's arguments on the importance of a state's ability to enforce rules and property rights, it can be concluded that much of a state's success can be attributed to such rules and secure property rights. Rules determine how citizens act within a society and property rights determine how citizens behave within the economy. Institutions are

fundamental in determining how society functions, with inclusive institutions creating incentives for everyone and extractive institutions creating incentives only for a select few or elite. Institutions are also central to property rights as they play a role in determining if they are secure or insecure which in turn, influences the incentives within the economy. Michalopoulos and Papaioannou concur that property rights are vital for economic development and even take a step back to highlight the importance of political centralisation – arguing that the reason why state centralisation is so fundamental is because of its association with secure property rights (Michalopoulos & Papaioannou, 2012: 3).

As has been seen, a state with the ability to enforce rules and property rights is most likely one with inclusive institutions and a degree of state centralisation enabling them to implement such rules and rights. Enforced rules and property rights which are secure are factors which prove advantageous for the majority of society and a state with the ability to enforce these rules and rights is therefore much more likely to experience economic growth and prosperity.

3.5 Acemoglu and Robinson on the Capacity to Manage Creative Destruction

The ability of a state to handle creative destruction speaks volumes about the nature of its institutions. Typically, democratic countries with inclusive institutions are far more capable of managing the impacts of creative destruction than those with extractive institutions, whose, in many cases, absolute leaders, fear the effects of creative destruction, thus, blocking it from taking place (Acemoglu & Robinson, 2012: 225). Before delving into the particulars of creative destruction and the power it wields on the functioning of society and the economy, it is imperative that a definition of creative destruction be outlined, followed by an analysis of the importance of creative destruction and the impact it has on particular groups in society. This section will subsequently, evaluate the countries which have opposed such destruction and conclude that despite the upheaval caused by creative destruction and technological innovation, it is a necessary evil in attaining economic growth and overall prosperity.

According to the great economist, Joseph Schumpeter, ‘creative destruction’ is the label given to the changes which accompany technological innovation and economic growth (Acemoglu & Robinson, 2012: 98-99). Essentially, creative destruction describes the process by which new innovations in technology, make old technology, and in some cases, entire sectors, obsolete. In this way, new sectors are afforded resources once granted to old sectors, new

businesses appropriate trade from old business and new technology renders old machines and the skills needed to operate them, antiquated (Acemoglu & Robinson, 2012: 99). This process of innovation and economics is founded on a basis of inclusive institutions and by its very nature, fashions both winners and losers in the political and economic sphere, depending on which side of destruction a person is situated (Acemoglu & Robinson, 2012: 99). That creative destruction has this amount of political and economic power, makes those who stand to lose a significant amount of business or their political standing, fearful of technological innovation and economic growth which is why many in powerful positions, resist any form of change as well as inclusive economic and political institutions which could potentially support such innovation and growth (Acemoglu & Robinson, 2012: 99).

A prime example of creative destruction is the Industrial Revolution. Throughout Europe, the aristocracy and elites were in control of government and by virtue of the monopolies and entry barriers put in place by monarchs, the aristocracy were able to enjoy substantial income from landholdings as well as income from trading privileges (Acemoglu & Robinson, 2012: 99). However, due to the Industrial Revolution, numerous factories were established, redirecting resources away from the land, decreasing land rents and increasing wages landowners paid to their workers (Acemoglu & Robinson, 2012: 99). From this example, aristocrats and elites appear the economic losers, while merchants and traders are now economic winners. With industrialisation, came urbanisation which led to the development of a distinct working and middle class societal division who began to challenge the landed aristocracy over their political monopoly (Acemoglu & Robinson, 2012: 99). Industrialisation meant that not only were the aristocracy economic losers, but also, political losers. It is therefore understandable that in many cases, elites banded together in opposition to industrialisation and other forms of creative destruction.

The top social strata was not alone in the adverse impacts of industrialisation, as many artisans were also negatively affected. Many artisans (which later became infamous as the Luddites) possessed manual skills which were now being replaced by technology and mechanisation and as a result, opposed industrialisation, rioting and wrecking the machinery which they blamed for destroying their livelihoods (Acemoglu & Robinson, 2012: 99). Indeed, more political influence was at stake than ever imagined, as evidenced by the shift in political power towards the middle and working classes which enabled political policy to swing in their favour and get the Corn Laws repealed in the mid-19th century (Acemoglu & Robinson, 2012: 224). While

this shift was not instantaneous, it was undoubtedly a result of industrialisation, which had over the years, transferred income and power away from the landed aristocracy in favour of the lower social strata which eventually granted them sufficient power to swing policy such as this, in their favour. This serves as just one example of the undeniable power of creative destruction.

Despite creative destruction's negative impact on various groups of society, its overall impact is largely positive. Most vitally, economic growth without creative destruction will cease to be sustainable (Acemoglu & Robinson, 2012: 109). This type of growth, linked to a lack of technological innovation and usually associated with extractive economic institutions has been discussed earlier and has found that despite growth being possible under such conditions, so long as a state's economic institutions are extractive and creative destruction is resisted, the growth will be limited. A prime example being the Soviet Union in the latter half of the 20th century, in which growth was achieved without technological change and rather by means of allocating resources into the military, space and nuclear sectors (Acemoglu & Robinson, 2012: 109). Although growth was achieved, and the Soviets were able to challenge and at some points, even better the US during the nuclear and space race, this growth was not bolstered by broad technological innovation of any kind and therefore proved unsustainable as the Soviets fell behind the US from the 1970s onward (Acemoglu & Robinson, 2012: 109).

Apart from limited economic growth, the managing and accepting of creative destruction is also critical for a state's ability to modernise. Without technological innovation and indeed, industrialisation, countries failed to modernise and fell behind their industrialised counterparts who could produce more efficiently and were thus in a superior position where trade was concerned (Acemoglu & Robinson, 2012: 243). The defiance of technological change and desperation to preserve economic and political position, thwarted economic progress and often led to entrenched economic backwardness as seen most notably in the Austro-Hungarian empire which continued to use the significantly less efficient, charcoal in the production of iron, opposed to the more efficient, coal which was used in 90% of the world's iron output as well as textile weaving which was mechanised in other parts of the world, yet continued to be executed by hand in all Austro-Hungarian territories, until its collapse in the early 20th century (Acemoglu & Robinson, 2012: 243-244). Alternatively, much of the US and Australia's success and ability to modernise can be attributed to their inclusive institutions which have allowed for the introduction of new technological innovation and creative destruction, placing them in a politically and economically superior position to many other countries which have

failed to manage creative destruction to the same extent (Acemoglu & Robinson, 2012: 340). It can therefore, be concluded that despite the political and economic upheaval which results from creative destruction, the sustainable economic growth and modernisation with which it comes, outweigh the negative societal and economic impact on the select few elites.

Despite creative destruction being beneficial for society and a country overall, it is those who are in a position to resist or accept creative destruction who stand to lose the most should it be accepted. It is for this reason, that so many countries resist creative destruction as it is the elites and aristocrats who fear economic and political power loss, should economic and technological growth not be blocked (Acemoglu & Robinson, 2012: 100). An example of this can be seen in the Ottoman empire, which was characterised by highly extractive institutions and an absolutist ruler who opposed the introduction of the printing press for fear that greater access to books may make the population harder to control as it would take the power of knowledge out of the hands of the elite and may produce ideas which oppose political authority and the status quo (Acemoglu & Robinson, 2012: 232).

Tsar Nicholas the first of Russia and his finance minister, Kankrin too feared creative destruction and embarked on a quest to maintain the political and economic status quo while blocking industry and railway expansion. Kankrin reversed the policy of his predecessor to establish a Commercial Bank for lending to industries and instead, used all the funds directed to the Commercial Bank to reopen the State Loan Bank which only lent to those who owned land of meaningful proportion (Acemoglu & Robinson, 2012: 245). Subsequently, all industrial exhibitions were prohibited, and severe restrictions were placed on the number of factories which could be established with no new cotton or woolen mills being allowed to open which halted the expansion of industry (Acemoglu & Robinson, 2012: 246). Due to a surge of revolutionary movements throughout Europe at this time, repression of industry served to reduce the number of potentially rebellious workers in the city with the government going so far as to ban the congregating of homeless people as they feared this would result in an uprising (Acemoglu & Robinson, 2012: 246). Kankrin further opposed railway expansion, labelling it an unnecessary luxury and “socially dangerous mobility” rather than a necessity – a policy which was sustained by his successor, Kleinmichel who was so adamant about forbidding railway expansion that he had newspapers censor any mention of railway development (Acemoglu & Robinson, 2012: 246-247). This example illustrates how rulers willingly resisted

creative destruction to the point of damaging their economies in order to remain safely in a position of power.

Creative destruction is feared predominately for its potential to disrupt current political and economic power bases and it is not difficult to understand why many leaders and elites have and will continue to resist it. Seeing as creative destruction has the largest impact on a country's elites, it should come as no surprise that those in charge of extractive institutions are the ones who are able to resist it most successfully, as absolutist rulers and extractive institutions go hand in hand. The fact remains: those who resist technological innovation, do so at the expense of their country's economic growth and development and those who have proved capable of accepting such innovation and creative destruction, have been able to modernise, placing their nation in a position capable of competing economically with the rest of the world, much to the overall benefit of their country and citizens.

3.6 Thesis Trajectory

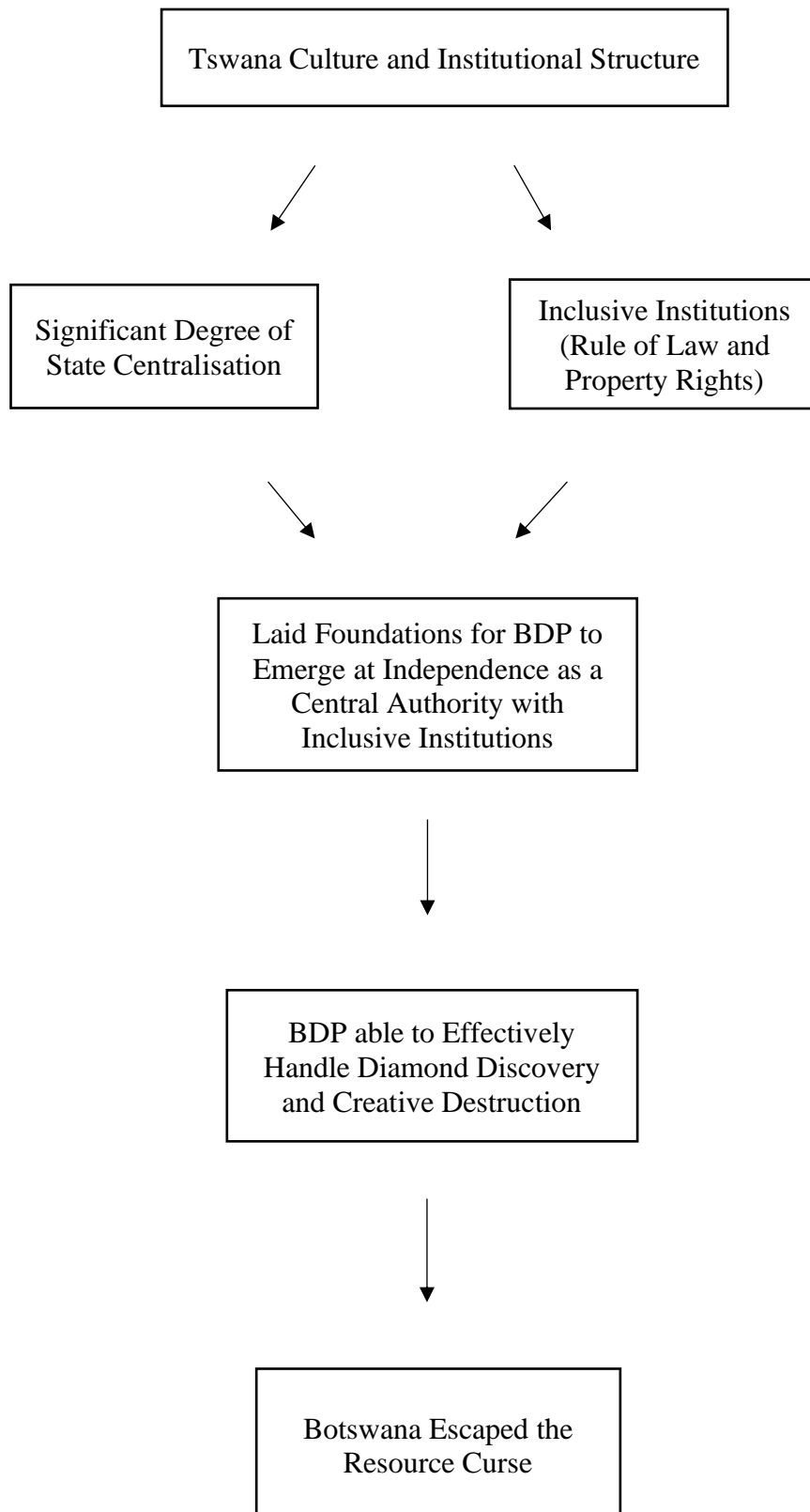
The trajectory of this thesis can be seen in the flow diagram above. The following chapter will demonstrate how Tswana culture and institutional structures in the pre-colonial period in Botswana created a society which had an embedded degree of state centralisation and sense of respect for a central authority as well as relatively inclusive institutions as evidenced by the enforcement of the rule of law and secure property rights. Due to limited colonial rule, these two factors persisted and made for even more inclusive institutions. As a result, the foundations were laid for the Botswana Democratic Party (BDP) to rise to power at independence as a central authority, with a sufficient level of state centralisation and relatively inclusive institutions which is what stood them in good stead and enabled them to manage the discovery of diamonds effectively as well as the creative destruction with which it brought, thereby escaping the resource curse.

3.7 Conclusion

This thesis is based on the premise that with inclusive institutions in place, a resource-abundant country is unlikely to fall victim to the resource curse. As this thesis highlights, institutions do not exist in isolation, but rather, the nature of political and economic institutions are determined

by a number of factors, namely, state centralisation, the enforcement of rules and property rights and the ability to handle creative destruction. While there are other factors which influence the nature of institutions, it can be argued that these are the three most fundamental, as not only do they play a role in determining whether or not institutions are inclusive or extractive, but they also have the furthest-reaching social, political and economic impacts. Acemoglu and Robinson's *Why Nations Fail* provides a detailed account of the characteristics of successful and unsuccessful states, using a myriad of country cases throughout the history of civilisation and concludes that it is the nature of institutions which accounts for such disparity. Acemoglu and Robinson are not alone in their analysis as many other scholars similarly maintain the importance of institutions in determining political and economic success. Thorbeck goes so far as to suggest that widespread economic prosperity, which reaches even the poorest segments of society, can only be achieved when good institutions (those with state centralisation and secure property rights and rules) are in place (Thorbeck, 2013). While being a blessing, countries with resources are also at risk of being threatened by those very resources (i.e. the resource curse). Using the *Why Nations Fail* as an analytical framework, this thesis will explore whether the nature of Botswana's institutions can be accredited with ensuring that the country avoided the resource curse. In so doing, the thesis will evaluate not only the state of Botswana's institutions, but also the accompanying factors of which the nature of institutions comprises. Now that each of the aforementioned factors has been analysed, the thesis will set out to explore each in relation to Botswana in order to determine the impact of such factors in contributing to its successful evasion of the resource curse.

3.8 Flow Diagram Depicting Trajectory of Thesis



Chapter 4: Emergence of a Central Authority and Inclusive Institutions

4.1 Introduction

Different institutions create different incentives and it is imperative to recognise that as these institutions “influence behaviour and incentives in real life, they forge the success and failure of nations” (Acemoglu & Robinson, 2012: 55). This chapter will demonstrate how Botswana was able to emerge as a relatively inclusive institution at independence namely due to two factors in particular – state centralisation and the enforcement of rules and property rights. Analysis will be conducted on the above factors by way of examining the emergence of a central authority in Botswana as well as the rules of law and property rights enforced in the country. This chapter will demonstrate how these two factors laid the foundation for the rise and power of the BDP which ultimately lead to relatively inclusive institutions in post-colonial Botswana.

4.2 The Importance of Inclusive Institutions

The type of institutions established in a country is dependent on several factors – namely, state centralisation and the enforcement of rules and property rights - factors which, in the majority of countries, lie reliant on the type of institutions set up by colonial powers. Colonially established institutions often remain in-tact because it is those who have the power to change institutions who stand to lose the most from it. Fundamentally, it is resource-abundant countries with inclusive institutions which are sufficiently equipped with the ability to escape symptoms of the resource curse, while those with extractive institutions are more susceptible to the resource curse.

4.3 Emergence of a Central Authority

As has been identified, a central authority is of the utmost importance for the creation of inclusive institutions. This section will be divided into two main sections; the first covering Tswana culture and traditions within pre-colonial Botswana and the second, the impact of Botswana’s colonial legacy. This section seeks to explore the transition from informal to formal

institutions in Botswana by way of analysing the culture of the Tswana, ultimately arguing that their traditional hierarchical structures, sense of legitimacy and centralised authority of chiefs combined with the limited colonial influence due to historical factors is what laid the foundations for the merging of Tswana and modern institutions and rise in political and economic power of the BDP at Independence.

4.3.1 Tswana Culture and Traditions: Informal to Formal Institutions

4.3.1.1 Background of Tswana

It is commonly held that throughout the 18th century, Tswana migrated into the area of Botswana which they inhabit today and by the turn of the century, in 1800, the Tswana had conglomerated into several tribal polities with chiefs (Seidler, 2010: 8). Despite some of these tribes fragmenting or certain groups establishing their own tribes, the Tswana tribes on the whole, remained remarkably connected; sharing a common language, common beliefs and even the common practice of cultivating tribal membership by way of integrating non-Tswana tribes into their tribe, with such tribes being assimilated into Tswana culture (Acemoglu et al., 2001: 9). All elements of political, social and economic life were organised in terms of the cultural norms held by Tswana tribes and similarly, the Tswana, like most traditional tribes, internalised these cultural norms and institutions through the teachings of previous generations or sanctions set out by the tribe (Schapera, 1955: 36).

The Tswana are the largest ethnic group within Botswana and are divided into eight subdivisions or tribes: the Batawana, Bakgatla, Barolong, Batlokwa, Bangwaketse, Bamalete, Bakwena and the largest of these, the Bamangwato – and importantly, these tribes are not dependent on birth, but rather on allegiance (Wiseman, 1977: 73). Despite these tribes being separate from one another, their culture, traditions and religion remained relatively similar (Holm, 1987: 28). In addition, the Tswana tribes were unified by wars with neighbouring ethnic groups and the Boers from South Africa, which served to entrench a tradition of inter-tribal cooperation (Hjort, 2010: 692). Democratic principles too, are an integral part of Tswana culture with pre-colonial traditions being centered on the ‘kgotla’. Kgotla essentially allowed every male adult to have a say in decision making by contributing to the debate around a particular issue or decision (Hjort, 2010: 695). Every administrative unit had its own kgotla which meant that the decisions around policies and laws were made collectively, involving

leaders, chiefs and individuals within communities (Hjort, 2010: 695). This further embedded the culture of consultation and cooperation and compounded with the similarities between the Tswana tribes, allowed them to unify as a centralised unit.

4.3.1.2 Tswana Are Relatively Homogenous and Authority is Centralised

Botswana has always been a largely homogenous society with little ethnic conflict. This was not only uncommon of African ethnicities, but due in part to Botswana's lack of a monarchy which in many African societies, tended to be more divisive and disputatious, rather than a source of unity (Sebudubudu & Botlhomilwe, 2011: 38). Additionally, Botswana's leaders have never expressed any concerns or attempted to prohibit any form of intermarriage between tribes. This lack of aversion to intermarriage on behalf of leaders is what has contributed to tribes incorporating other members which has broken the divide of tribal lines and helped to create a homogenous Tswana society (Sebudubudu & Botlhomilwe, 2011: 38). Moreover, the government ensured that tribes were not treated differently in terms of their access to resources. "The resources of the country were shared equitably" between all citizens and each inhabitant, through measures such as kgotla, were afforded their say and contribution to the running of the country regardless of ethnicity (Sebudubudu & Botlhomilwe, 2011: 38). Additionally, Botswana's lack of one particular, dominant ethnic group has meant that they have been able to incorporate each individual leader of the Tswana tribes into a sort of "elite coalition" at the time of independence which resulted in an "ethnic balancing in the country on the part of leadership" which contributed to homogeneity and peaceful transition to independence (Sebudubudu & Botlhomilwe, 2011: 38).

The fact that government in Botswana both prior to colonisation and after colonisation had significant degrees of centralisation, suggests that post-independent rulers, the BDP, recognised the merit in the type of rule practiced by their predecessors. Indeed, scholars have acknowledged that post-independent government has been strongly influenced by the "political history of the Tswana" (Hjort, 2010: 695). The Tswana roots have been able to influence current government due to the limited exercise of power by the British. Prior to colonisation, Tswana chiefdoms were highly centralised with hierarchical structures and a nationalistic culture and due to the limited influence of the British, these Tswana power structures were able to remain in place after independence (Hjort, 2012: 695). This is an anomaly among post-independent African states, as power structures were generally captured and configured into a

form satisfying to the coloniser, enabling them to extract the most revenue by whatever means necessary (Hjort, 2010: 695). These structures and institutions were therefore transformed into being largely extractive, which in turn, made it difficult for those post-independent governments to return to their previous power structures. It is arguably this return to Tswana structures which enabled this degree of post-independent centralisation and success.

4.3.1.3 Link Between Culture and Institutions

In terms of institutions, it is fair to say that cultural norms equate to informal institutions. According to Seidler, these informal institutions are important for two reasons: the first being that informal institutions are highly ranked within the hierarchy of institutions because citizens tend to act in accordance with informal institutions above formal institutions, which in many cases, means that informal institutions have more power as they constrain formal institutions (Seidler, 2010: 8). Secondly, informal institutions are inclined to remain intact for long periods of time, be it generations and even centuries as they tend to withstand change (Seidler, 2010: 8).

Arguably, it is the Tswana culture which has fostered the development of inclusive political and economic institutions. There is particular emphasis on the link between economic growth and culture with Landes claiming that “culture makes all the difference” and that the success of an economy lies only upon the attitudes driven by cultural factors (Landes, 1998: 516). Hjort builds upon Landes argument, claiming that it is the Tswana culture which has contributed to “state legitimacy, good governance, democracy, commercial traditions, well-established property rights and inter-ethnic unity” – all factors which have determined Botswana’s post-independent economic success (Hjort, 2010: 688). It could be questioned whether culture is a legitimate measurement of institutions, however, it could be argued that culture is an essential transmission mechanism from historical to current institutions or that the evolution of institutions is not only dependent on the issues or problems in society, but also changes depending on the culture which is prevalent within that society (Hjort, 2010: 706). Therefore, it is the cooperative, consultative and collective nature of the Tswana tribes which have had a significant impact on the formation of inclusive political and economic institutions. Additionally, it is as a result of the limited colonial influence of the British, that Tswana culture and institutions were able to remain intact and thereby influence the post-independent BDP and the inclusive institutions which they embraced.

4.3.1.4 Constraints on Rule

Leadership in Tswana tribes has long been considered pragmatic and effective and can be attributed to two constraints on rule. The first of which is the culture of consensus which was established through the kgotla or traditional assembly which commanded that chiefs consult with all parties involved prior to making important decisions, that a platform for debate was provided and that chiefs hear all arguments and opinions on the matter before it is made into law (Seidler, 2010: 9). This ensures that all tribesmen are represented and prohibits chiefs from making decisions or passing legislation which could be potentially harmful or has not been thoroughly considered. The second constraint was that chiefs had to engage in economic activity in order to preserve political support and remain in power (Seidler, 2010: 9). Due to the close relationship of political and economic power which lay in the hands of the chief, it was of utmost importance that resources such as cattle were allocated in return for political support (Seidler, 2010: 10). Many tribesmen were dependent on chiefs economically and for resources like cattle and as a result, their support for chiefs would waver, were chiefs not to engage in economic activity benefitting the tribe or failing to allocate economic resources to supporters. Additionally, a tribesman was only initially able to take up chieftainship as a result of owning many cattle and being a wealthy man (Seidler, 2010: 10). It is therefore likely that in order to be wealthy, a tribesman had engaged in economic pursuit or trade and in so doing, gained the knowledge necessary to lead a tribe to economic prosperity.

4.3.1.5 Legitimacy of Rule

A chief cannot rule on pragmatism alone, as legitimacy is required first and foremost. In the case of the Tswana, the chief's authority was based on traditional norms of succession and respect from tribesmen. The idea that traditional authority creates legitimacy is an ancient one and can be traced to Weber, who considered traditional authority as one of three legitimate forms of rule. In this case, the obedience of tribesmen is not based on rational calculations, but rather the traditional norms which they have always known and respected (Weber, 1992: 22). In other words, it is the culture itself and the traditional norms to which tribesmen have become accustomed that provoke a sense of obedience toward a chief and grant him legitimacy. The fact that traditional norms provide legitimacy and ultimately gives him his power, means that it is in the interest of a chief to preserve such norms; although a chief may also attempt to

expand his power by other means – such as with the introduction of Christianity (Seidler, 2010: 10).

It could be argued that the introduction of Christianity was not for religious purpose alone. While many chiefs welcomed these beliefs and adopted them themselves, Chief Khama III included; it appears that the adoption of the Christian religion had political motive, as chiefs were able to use their relationship with missionaries to secure further trade with Europe and win the favour of European officials (Acemoglu et al., 2001: 12). Christianity did not substitute traditional beliefs, but instead coexisted with them (Seidler, 2010: 10). This tactic ensured that tribesmen were not overwhelmed by the adoption of Christianity and guaranteed that chiefs were granted legitimacy through securing economic prospects via missionaries which helped them remain in power.

In addition, the legitimacy of chiefs was garnered through their personal and economic relations with subordinate officials. This kind of rule, vested in political and economic support from political subordinates, could be classified as ‘patrimonial’ as the chief’s political support is based on patronage and clientelism (Seidler, 2010: 11). While patrimonialism typically has negative connotations, this is not the case in Botswana, as chiefs could be publically challenged and ousted were they to be considered incompetent (Seidler, 2010: 11). Alternatively, the politics between tribe and chief were largely considered “stable and harmonious” due to the power limitations on chiefs (Schapera, 1955: 84-85). Interestingly, many scholars have argued that patrimonial rule conflicts with formal institutions and that the only way in which patrimonialism is beneficial is when it is accompanied by an effective institutional framework, good governance and long-term goals to achieve economic development (Robinson, 2009: 5-6).

4.3.1.6 Legal System

From a legal perspective, the chief was in charge of settling all legal and judicial disputes and concerns with town chiefs having similar, yet restricted abilities –the kgotla being the place where such hearings typically took place (Schapera, 1955: 271). Legal norms were founded in religion and were further amended and developed over time by chiefs (Schapera, 1955: 40). The law was adhered to and respected by the Tswana as the chiefs proved their loyalty in the interests of the people and therefore had sufficient legitimacy to enforce laws. Importantly, all

Tswana were considered equal before the law as there was no legal distinction between chief or tribesmen (Seidler, 2010: 11). This too serves to indicate the inclusive nature of the pre-colonial Tswana state and further entrenched respect and legitimacy in chiefs as they were not above the law.

4.3.1.7 Institutions of Social and Economic Life in the Pre-Colonial Period

Pre-colonial Tswana was a traditional society centred on an agricultural economy which tended to reside around a large capital. Settling around a capital was uncommon among African tribes as they were inclined to be scattered over sizeable regions, however, by settling around a capital, Tswana were more capable of being involved in political and economic activity, as the capital served as the political and economic hub of every tribe (Seidler, 2010: 12). These towns were typically concentrically bordered by land used for agriculture and beyond this land, lay the regions used for herding (Seidler, 2010: 12-13). According to economics, a high population density or urbanisation as in the case of Tswana settlements, is essential for “early institutional development” as it fosters market expansion and better enables the enforcement of secure property rights (Seidler, 2010: 13).

From analysing Tswana culture in the pre-colonial period, it is evident that much of the practices, characteristics and informal institutions laid the foundations for the formal institutions which were to be established in the independent period. The Tswana have long been cooperative as seen by their relatively homogenous nature and custom of incorporating non-Tswana into their tribes as well as by tribal intermarriage. The Tswana are also a consultative people as seen by their traditions of kgotla which continue to exist in post-colonial Botswana. Chiefs ruled with respect and legitimacy and built a society in which their rule was constrained and no tribe member was above the law. Leadership too was centralised and existed within hierarchical power structures which constructed the basis on which Seretse Khama was able to rise to power within the BDP at independence. Additionally, the consultative and cooperative culture of the Tswana led to and thereafter continued to reinforce the inclusive informal institutions which would later result in the inclusive formal institutions Botswana is hailed for at independence.

While similarities can be drawn between the pre-colonial and independence period, there is an in-between period which cannot be ignored. It is widely acknowledged that institutions

established during colonisation not only tend to eradicate the informal institutions which existed prior but also establish the institutions which prevail post-colonisation. In this regard, Botswana is unique and therefore extremely fortunate as its pre-colonial Tswana structures were able to withstand colonial rule. The reason for this is limited colonial influence which ultimately allowed for the merging of Tswana and modern institutions at the time of independence.

4.3.2 Impact of Colonial Legacy

While British rule was considered ‘indirect’, it was not without consequence and this section will highlight the particular ways in which Bechuanaland and the Tswana tribes were impacted. Thereafter, this section will consider more closely, the impact that colonial rule had on institutions, by breaking them down into political institutions and economic institutions.

Deeming Britain’s involvement in Botswana, ‘colonial rule’ may be an exaggeration, due to the fact that Bechuanaland was a protectorate not a colony. However, despite British rule being distant – ruling from Mafikeng in South Africa – Bechuanaland and Tswana tribes were not unaffected. In order to obtain a better understanding of British rule in Botswana, it is important to heed the following three characteristics of Britain’s colonial rule. The first being that colonial administration played a meagre role in Bechuanaland, having little to no influence over the Tswana and indigenous populations (Lange, 2009: 9). Secondly, institutional power remained in the hands of the chiefs who exerted legislative, judicial and executive control (Seidler, 2010: 16). The British had little contact with tribesmen and indigenous populations, as their pre-colonial power structures remained firmly in place with the chief being at the top of the hierarchy and the only channel through which the British could interact with local tribes (Seidler, 2010: 16). Chiefs enjoyed acting as intermediaries between colonial district commissioners and tribesmen as this position, came with personal benefits as they were able to act as rent-seekers with regard to any exchanges between tribesmen and the colonial administration (Lewis, 2006: 7). Lastly, the colonial administration disregarded resource exploration in Botswana (Seidler, 2010: 16). Three quarters of Britain’s funds financed purely “administrative costs” and the remaining quarter supported the “upgrading [of] tribal militants” (Seidler, 2010: 16). This was a result of the threat of German invasion from the west and potential Afrikaner invasion from the south which the British feared was imminent – the threat of German expansion being one of the fundamental reasons for Britain’s colonisation of

Bechuanaland to begin with (Beaulier, 2003: 231). Essentially, these three characteristics of Britain's involvement in Bechuanaland demonstrate that this involvement was limited and while they kept contact with chiefs, the core institutional structures of Tswana society remained untouched.

4.3.2.1 Political Institutions in the Colonial Period

Political Institutions in Colonial Botswana remained relatively untouched from their pre-colonial days, with only the role of the chief undergoing some minor tweaks. Despite colonisation, the tradition of kgotla, the requirement of consensus and consultation and traditional authority was not altered (Seidler, 2010: 18). Alternatively, the same cannot be said for the position of the chiefs, as their roles were slightly transformed by colonial rule. Some of these differences being that while they still presided over the tribal courts of the kgotla, any cases which were serious offences such as manslaughter were to be reported and heard before the British Administration, with this administration also doubling as the court of appeal where a verdict from a tribal court to be questioned and taken further (Seidler, 2010: 18). Another difference is that with colonial rule, came an entrenched belief in Christianity which reformed the religious role of chiefs and as cash and payment as a reward for labour became more embedded in Tswana culture, the chief was no longer able to call upon tribesmen for unpaid labour (Schapera, 1933: 406). However, chiefs were more than compensated for their role through the commission earned from tax collection as well as the rents they earned from traders and the tributes granted to them from migrant workers returning home to their tribe (Schapera, 1936: 230-231). Effectively, the political institutions did not alter in nature as they remained inclusive in all aspects.

4.3.2.2 Economic Institutions in the Colonial Period

The informal economic institutions underwent few changes as a result of colonial rule in terms of property rights. The notion of communal unused land, privately owned livestock and cultivated land remained firmly in place and the colonial administration was satisfied that chiefs continue to enforce these rights in the tribal areas (Seidler, 2010: 19). Despite the colonial administration and the more formalised institutions with which it came, it did not alter the previously entrenched property rights of the Tswana.

Colonial institutions made land even more of a divisive issue after the introduction of technological development. From the 1920s, further boreholes were required and subsequently drilled, in order for water to be provided for more cattle herds (Seidler, 2010: 19). These boreholes or wells, were privately owned and seeing as water was in great demand for livestock, the unused land around these wells which before was considered communal property, could now be purchased by wealthy Tswana for their cattle (Good, 1999: 188). This continued well into the 1960s and only benefitted wealthy cattle owners, which resulted in economic inequality. Institutionally, the British and Tswana respected and enforced the same property rights which had become embedded in the Tswana's pre-colonial informal institutions and the Tswana could still rely on their chiefs to enforce these rights, however, the only difference is that the more formal institutions brought by the colonial administration, allowed for private ownership of communal land to be awarded to those who could afford it, leading to economic inequality as the rich Tswana became even richer.

Despite the colonial administration making land ownership more contentious, it did however, create markets which furthered economic activities for the Tswana. This was also promoted by the establishment of cash as a currency which existed together with livestock as a form of exchange (Seidler, 2010: 21). As cash became more commonly used, even chiefs began to accept cash or livestock as payment for tribute or fines (Schapera, 1955: 65). As cash was introduced into society, so too was trade further entrenched by means of imports and exports. Europeans began establishing trading stores in Botswana which opened up new markets in which basic goods were imported (Seidler, 2010: 21). The Tswana also began exporting cattle and other goods at an increasing rate, primarily to South Africa which served as a significant form of cash income (Seidler, 2010: 21).

4.3.2.3 How Britain Transformed Institutions from Informal to Formal

This section briefly described the influence of British colonialism on the development of Tswana institutions in the colonial period demonstrating the transformation between Tswana institutions in the pre-colonial period compared to the colonial period and how they changed into the institutions that allowed for the BDP to emerge successfully at independence. While British colonisation had no negative impact regarding the inclusive nature of Tswana institutions nor did it replace the local, informal institutions of the Tswana, it did, however, influence the trajectory of Tswana institutions. In this regard, there are four factors which are

responsible for shaping the development of Tswana institutions from the informal institutions which they were in the pre-colonial period, to the more formal institutions which emerge after colonisation.

These factors include the introduction of colonial taxes, which came in the form of a hut tax and later, a native tax which significantly impacted Tswana institutions as it afforded the chief political and economic powers like never before, now that they received a 10% commission of all the tax which was collected for the colony (Good, 1999: 188). Secondly, the increase in employment prospects of European mines outside of the Protectorate resulted in the migration of roughly half of all able men between the ages of 15 and 45 to neighbouring South Africa and the Transvaal (Acemoglu et al., 2001: 14-15). Thirdly, strengthened contact with traders and missionaries led to a larger variety of goods being introduced into the markets and due to the new tax initiatives, the use of cash became more prevalent, with the Tswana economy becoming cash-based (Schapera, 1955: 56). Finally, the interest of tribe-elites in further economic prosperity and the tendency towards further urbanisation too impacted on Tswana institutions as chiefs were aware of the impact of British rule and sought to steer the process in a direction favourable for tribesmen; forbidding labour recruiters to work in tribal regions, prohibiting the sale of alcohol in these areas and outlawing the entry of “poor white and Indian traders” into tribal lands (Schapera, 1936: 236).

Despite the relatively limited influence of British rule on Botswana and over Tswana institutions, the manner in which Tswana institutions were influenced – the above factors – did alter the social and economic life of the Tswana to a significant degree and certainly served to formalise the Tswana institutions. Thus, enabling the institutions at independence to resemble a far more formal structure than that of the Tswana institutions in the pre-colonial period.

4.3.2.4 Development of Institutions

A vital concept of institutional development rests of the hypothesis of the ‘imported state’. According to this theory, the quality of political and economic institutions as well as economic performance is dependent on the extent to which post-colonial institutions conflict with pre-colonial institutions. So the more conflict between the institutions, the poorer quality of the post-colonial institutions and alternatively, the more integrated the pre-colonial institutions into post-colonial institutions, the higher the quality and efficiency of these post-colonial

institutions (Englebert, 2000). Effectively, the extent to which local institutions are “integrated into the post-colonial institutional framework and the more formal institutions of the modern state are embedded into a society’s social networks based on its history and culture”, the more effective and efficient the post-colonial institutions will be and the more likely they are to foster and promote economic growth (Seidler, 2010: 23). Given that the integration of local, informal institutions plays a pivotal role in the functioning of post-colonial institutions and much of Botswana’s success is attributed to its institutions, it is important to consider their development.

The development of Botswana’s institutions can be characterised into two distinct, yet equally important stages – the first being the development of institutions under colonial rule which lasted roughly 80 years and the second, being the development of institutions during the independence period, which lasted only 20 years and saw institutions develop at a much faster rate than during the colonial period. The initial phase of institutional development was prompted by the introduction of European style institutions by the British. In addition, these European institutions exposed the Tswana to the English language, Christian values and introduced a local labour market (Seidler, 2010: 23). The second phase of institutional development was a far more conscious effort towards modernisation and development and saw leaders choose which institutional aspects to build, which pre-existing institutions to keep and the extent to which European style institutions would influence these institutions (Seidler, 2010: 23). Ultimately, any newly created institutions had their base in European institutions and were however, adapted to suit Tswana customs and culture, such as kgotla which was incorporated into the new, formal institution (Seidler, 2010: 23). This amalgamation of institutions is what led to them being well-received and inclusive.

The success of post-colonial institutions in Botswana can be attributed to limited colonial influence. By comparing the state of post-colonial institutions in the majority of colonised African countries, it is evident that harsher and more wide-scale colonial influence, did not favour influencing or producing strong, inclusive political or economic institutions. This comes down to a lack of culture being incorporated into the colonial and post-colonial institutions. Unlike Botswana, the local institutions in many former colonies were eroded and forcefully replaced by European institutions in what was often a “brutal” institutional take-over instead of being amalgamated into the existing institutional structure or local culture which resulted in “weak institutional structures and low state legitimacy” (Seidler, 2010: 24). Essentially, this gap between pre-colonial, informal institutions and post-colonial, formalised

institutions was so great that a quintessential casual sequence ensued in most colonised African countries: one of initial excitement at independence, followed by a subsiding of the delight in the new leader's charisma, the new, formal institutions begin to lack legitimacy in the eyes of the people as they prefer to follow the pre-colonial institutions until ultimately, leaders realise how little power they really inherited (Seidler, 2010: 24). Contributing to the lack of legitimacy is the ethnic heterogeneity modelled on the borders which were drawn arbitrarily on behalf of the colonial powers (Seidler, 2010: 24). In a bid to remain in power despite growing issues of legitimacy, leaders turn to neo-patrimonial rule as it conforms to the pre-colonial style local institutions which citizens seemingly desire (Englebert, 2000: 23). However, this leads to wide-scale market mechanism distortions and a distribution of resources based on political motives, thus promoting corruption and clientelism (Englebert, 2000: 25).

4.3.2.5 Colonial Legacy Matters

The impact of colonial legacy on institutions is significant and can lead to “violence and dictatorial tendencies” for two reasons (Mhlanga, 2015: 93). The first is colonial interpellation – the passing down of extractive and authoritarian-like power structures which are subsequently assumed by the new post-colonial African leaders which in a number of cases, has simply extended the dictatorial-type rule which was experienced under colonisation, only now, under African leadership (Mhlanga, 2015: 95-96). The second explanation for violence and dictatorial tendencies in post-colonial African leaders is the nature of the anti-colonial struggles which needed to take place in order for independence to be achieved. The violent nature of colonialism meant that for many African countries, it was only through “violent means by which colonialism was dislodged” as colonialism required violent measures in the form of liberation struggles in order to extricate colonial power structures (Mhlanga, 2015: 96). Unfortunately, it is this sort of take-over by force which in many post-colonial African countries has entrenched a sense of violence and oppression as a means of rule.

In addition to this violent nature of rule, the manner in which power was transferred by colonial powers, in many African countries, resulted in further violence and future unrest. This was due to the fact that colonial powers generally conferred their power upon dominant ethnic groups within their colonies (Mhlanga, 2015: 120). These dominant ethnic groups subsequently ‘replaced’ the colonial power as they fitted into the power structures left behind by colonisers

which in some post-colonial African countries, had divisive effects and failed to eradicate colonial-type power structures (Mhlanga, 2015: 120).

Elements of colonialism too, managed to persist in post-colonial states as too often, newly independent African states inherited their constitutions from their colonial power. Indeed, conferences were held in various parts of Britain in which constitutions for former British colonies were drawn up and subsequently handed down to colonies along with the granting of their independence (Mhlanga, 2015: 119). On one hand, colonisers relinquished their power over their colonies, while at the same time, continuing to have a hold over them by instilling a constitution to their satisfaction.

In contrast, Botswana's liberation from British rule came much more peacefully and with no need to violently overturn colonial power structures. Additionally, Botswana's power structures remained traditional and rooted in Tswana convention (Mhlanga, 2015: 121). Along with tradition, upon independence, Britain did pass power directly to the largest ethnic tribe in the protectorate, the Bangwato tribe to which Seretse Khama was the heir (Mhlanga, 2015: 120). However, because of limited colonial influence, deeply rooted Tswana structures and Khama's determination for democracy, the effects of such a transfer of power were in no way devastating.

Botswana was fortunate enough to not have had extractive institutions nor violent and dictatorial power structures installed by the British which placed it in an already advantageous position amongst its peers come independence. In addition, Botswana was blessed with effective, democracy-focused, servant leaders who encouraged wide-scale development, launching the country into prosperity and success – upon which the next section will focus.

More specifically, Botswana was fortuitous in its post-colonial leader, Seretse Khama. In essence, Seretse was a good leader and recognised the importance of conserving tradition, while also asserting a need for change, which led to the amalgamation of traditional Tswana as well as modern institutions. This section has briefly shown how traditional Tswana institutions developed over the colonial period, ultimately indicating that despite colonisation, Botswana's institutions remained entrenched in Tswana values which enabled Botswana to emerge at independence with inclusive institutions.

4.4 Rules of Law and Property Rights

Without the enforcement of rules or law, it should come as no surprise that a country will descend into anarchy. It too should be evident that inclusive institutions are closely associated with effective rule enforcement, as well as a degree of state centralisation, as without it, there is no authority capable of enforcing such laws. The ability to enforce the rule of law also goes hand-in-hand with the enforcement of private property rights, as without it, rights cannot be enforced, and economic incentive cannot be created. Enforcing rules and property rights makes for more inclusive institutions as these laws and rights pertain to every member. This section will examine Botswana's legal system and policy making as well as the role of chiefs and the influence of Tswana culture, revealing that throughout Botswana recent history - prior to colonisation and at present – it is fully capable and in fact, does enforce rules. Likewise, Botswana's ability to enforce rules, has impacted on its ability to enforce property rights, thereby strengthening its institutions to be more inclusive. Ultimately, this section will describe how it is the enforcement of rules and private property rights combined with the emergence of a central authority which has made Botswana's institutions inclusive, thereby laying the foundations for the rise and power of the BDP at independence.

4.4.1 Rule of Law in Botswana

4.4.1.1 How Did the Enforcement of Rules Emerge in Botswana?

Since the 19th century, the Tswana have had an “extraordinarily well-developed legal system”, with courts incorporating comprehensive legal processes and even awarding native's rights of appeal in many cases (Hjort, 2010: 697). Fair rulings could be made, and the rules of the country applied to all members of society (Crowder, Parsons & Parsons, 1990: 10). This Tswana centered legal system based on Tswana values and the idea that no one is above the law remained in place despite colonial rule and can be seen in post-colonial Botswana today (Hjort, 2010: 697). The survival of Tswana based legal custom is again attributed to the limited influence of the British during Botswana's period as a protectorate (Hjort, 2010: 697). In the same way that limited colonial influence was a rarity among ‘colonised’ African countries, so too, is the “proto-democratic character of Tswana culture and political institutions” a rare occurrence (Hjort, 2010: 697). Tswana culture could not be more different to the Zulu and Bemba tribes, south and north of Botswana, respectively. Unlike the Tswana, Zulu rule has

been described as “directive”, with Zulu chiefs displaying “coercive” and “overtly authoritarian” characteristics (Hjort, 2010: 697). Similarly, the Bemba tribe, which formed one of the Northern tribes of modern day Zambia, was characterised as “warrior people”, whose economic and political systems were governed by a “subject and chief” relationship (Richards, 1939: 17). Indeed, Bemba polities were exceedingly authoritarian, with no member being able to achieve significant economic or social status without being related or connected to the royal family (Hjort, 2010: 697). In fact, many African tribes were similar to that of the Zulu and Bemba and unlike the Tswana, did not have any form of kgotla or popular assembly nor was opposition tolerated to the extent that it was among the Tswana anywhere else in pre-colonial Africa (Hjort, 2010: 697).

4.4.1.2 The Influence of Tswana Culture on Rule of Law

Perhaps it is this influence of Tswana culture which enables Botswana to enforce the law and rules to the successful degree that it does due to the inclusion of society in the rule-making process. The chiefs and tribal leaders have been incorporated into the House of Chiefs and the early Tswana practice of kgotla has transitioned into a type of customary court (Botswana’s Kgotla System, 2017). Through the kgotla, a “culture of popular consultation evolved” and decisions were reached collectively with consideration given to the opinions of the people (Hjort, 2010: 695-696). Through this system, local communities are able to request a meeting with a chief, government official or even the president depending on the nature of their concern. This type of customary court, with influence from the public, is what has aided in limiting tribal hostility, while encouraging social cohesion and goodwill among the various tribes (Botswana’s Kgotla System, 2017).

In addition to Tswana culture, the rule of law in Botswana was augmented by the adoption of the Constitution at the time of independence. With it, came a republican form of government and “three organs of state namely legislature, the executive and the judiciary” (Booi, 2006). The Constitution is consulted with regard to any law in Botswana with “ga le rebe motho, re leba molato” – a Setswana saying meaning “the law is applied without taking into account the status of the person being tried” – being applied as a guiding principle (Booi, 2006). Due to the historical role of chiefs within Tswana society, the Constitution has founded the House of Chiefs (Booi, 2006). Together with the National Assembly, the House of Chiefs makes up the bicameral Parliament and while the role of the House of Chiefs is simply an advisory one

without legislative or veto power, it does have the power to “summon members of parliament” and any bill which stands to impact tribal organisation, property or customary law must pass through the house prior to it being discussed (Booi, 2006).

4.4.2 Property Rights in Botswana

According to Acemoglu, Johnson and Robinson, the contrast in the nature of economic institutions can be accredited to a states’ ability or inability to enforce property rights (Acemoglu, Johnson & Robinson, 2001). In a later study, Acemoglu et al. claim that the institutionalisation of Botswana’s property rights is what sets the country in an advantageous position, above that of their African counterparts (Acemoglu, Johnson & Robinson, 2003). This therefore provides a sense of the importance of secure property rights and luckily for Botswana, their property rights too were rooted in Tswana tradition – a culture in which the idea of private ownership has long been established (Hjort, 2010: 691).

Tswana culture has long emphasised the importance of private property rights in relation to cattle, land and resources such as water. Importantly, private property rights of resources did not exist in Botswana in the same way as they currently do, but rather existed as more of a ‘right to use’. It was common practice among rural tribes in Sub-Saharan Africa that natural resources were communally owned, and each household was apportioned land and water contingent on each persons’ needs by the chiefs (Hillbom, 2008: 203). Essentially individuals were awarded “private user rights” to arable land and water, with each household or individual owning and controlling its own production with the exception that cows are grazed communally (Hillbom, 2008: 203). Interestingly, pre-20th century Tswana land tenure saw all resources and land belonging to the tribe, being kept by chiefs, who, at the time, were also in control of land policy (Hillbom, 2008: 203). This changed post-independence as the Tribal Land Act was instigated in 1968 which altered the customary Tswana land terms, as land then became communal property and the power of chiefs to allot responsibilities was granted to Land Boards (Hillbom, 2008: 203). Despite land being communally owned or in some cases, controlled by chiefs, it is important to note that very few instances of land exploitation took place, indicating a respect for property rights.

Indeed, even pre-colonial Botswana is praised for embracing the “full modern notion of property rights” (Hjort, 2010: 698). While these notions are similar to the ones which are

commonly enforced today, they did, however, exclude the right to sell (Hjort, 2010: 698). Once a homestead was built, the household inhabiting it, thereafter possessed the exclusive rights to that property which could then be passed down through generations or family members – by no measure could a tribesman be forced to give up their property after that land had been given to them (Hjort, 2010: 698).

Another way in which Tswana culture was extraordinarily modern in relation to property rights was that these rights also pertained to women. Since early colonial times, women were eligible to hold land in their own capacity; they were entitled to own fields and homesteads over which their husbands had no control (Hjort, 2010: 698). Additionally, all land-owning individuals were afforded the right to transfer their land to someone else or to lend it out – a right which incentivised investment in land (Hjort, 2010: 698). Such property rights confirm that Tswana culture is forward-thinking and has modern notions of property rights. It is due to this notion of property rights that a market economy for cattle has been established and that property rights have been institutionalised. Since everyone in Botswana, elite or servant, was able to own cattle as an individual right, many servile groups were liberated (Hjort, 2010: 699). However, despite the possibility of improving financial status through cattle ownership, it was easier said than done due to the large amount of capital required.

Private property rights or in the early pre-colonial days, private user rights at the very least, have long existed in Botswana. These rights are modern and inclusive in nature which has laid the foundations for a flourishing economy, in which all members of society are able to participate. This section will now evaluate the history of trade and enterprise in Botswana, demonstrating how the enforcement of private property rights enabled the economy to emerge prosperous at independence.

The existence of property rights had a significant economic impact as it facilitated trade among the Tswana and between outsiders because citizens believed that that any contracts they entered into, will be enforced. Credit could be acquired, and the interests of the creditor secured by the process of kgotla, in which property owned by the debtor would be granted as compensation (Hjort, 2010: 701). Property rights also incentivized trade to the extent that Tswana tribes monitored trans-Kalahari trade routes between Zambezia and the Cape and capitalized on trading opportunities (Hjort, 2010: 701). Such economic activity was taking place as early as the mid-19th century – given that few other African tribes were as economically active at this

time, it is questionable whether trade and economic activity of this extent would have been facilitated by the Tswana were property rights not to have been enforced.

The rule of law and private property rights have long been enforced in Botswana since the pre-colonial period and has made Botswana's institutions more inclusive. The enforcement of the rule of law has meant that leaders have enough legitimacy to enforce laws as well as the legitimate use of force which puts citizens at ease as they know that they are protected by the law and any contracts they have entered into, will be enforced. Likewise, Botswana's rules and laws are inclusive as they pertain to all members of society. Botswana's private property rights too, are inclusive as no citizen is economically excluded and all are given equal opportunity to participate in economic activities – the ability to participate as well as the knowledge that rules will be enforced, providing economic incentive. These principles along with the pre-colonial culture of trade and enterprise, created the foundation for further trade and flourishing economy in the post-colonial period.

4.5 Conclusion

As has been shown in this section, the emergence of a central authority coupled with the enforcement of the rule of law and private property rights has resulted in very inclusive institutions in Botswana. This sense of state centralisation and inclusive institutions was embedded in Tswana culture which had been in place since the pre-colonial period and was able to survive the colonial period due to limited colonial influence. Since it was long entrenched in Tswana culture and this culture remained in-tact, a foundation was created in which the BDP could rise to power and continue the implementation of inclusive institutions which were created in the pre-colonial period. The following chapter will examine the BDP's emergence at independence, the way in which leaders have maintained inclusive institutions and how they have ruled for so long in an effective manner.

Chapter 5: Consolidation of Power Under the BDP

5.1 Introduction

The BDP was formed in the 1960s and rose to power at Botswana's independence. The Party is largely hailed as a success for the country, leading it to growth and prosperity. The Party has lost its overwhelming majority in recent times, but still remains firmly in power which will be discussed near the end of the section. The primary period which this section covers is that of the independence period and early post-colonial rule with a focus on the rise and power of the BDP. The section argues that it is due to the emergence of a central authority and rules and property rights in the pre-colonial and colonial period which contributed to the inclusive nature of the country's institutions, thus building a foundation on which the BDP was able to rise to power at independence.

5.2 End of Colonial Rule and BDP Origins

Khama's exile and absence had a largely positive impact on the Tswana people. His banishment ultimately sparked the organisation of an independence based political movement which was established by his supporters and succeeded in shaking the hold of the British over the Protectorate (Seidler, 2010: 22). The colonial administrator and subsequently, final British Resident Commissioner, Peter Fawcus, became a significant confederate of the Tswana independence movement and by 1961 had founded political conglomerates built on a "preliminary constitutional arrangement that was approved in London" and included a European Council, an African Council and a mixed Legislative Council (Seidler, 2010: 22). It is important to note that at this stage, the Tswana institutions and culture of consultation was already incorporated into the administrative and legislative corporations (Seidler, 2010: 22). The newly established African Council embarked on the reformation of the Tswana political institutions and sought to implement democratic processes as a substitute for the patrimonial style rule of local chiefs (Seidler, 2010: 22). In addition, invaluable experience and practice was gained by the soon to be post-colonial politicians and bureaucrats in administration and legislative departments as a result of the formation of the African Council, with the first post-independence political parties forming within the mixed legislative council (Seidler, 2010: 22).

After being welcomed back into the country, Seretse Khama founded the BDP party in 1962 – a party which was “explicitly national, non-tribal and non-racial” – and rose to unimaginable popularity as a result of Khama’s reputation and popularity as well as their tactic of building the party’s structures at grass-roots level (Seidler, 2010: 22). The BDP had offices in each constituency and prior to elections, BDP leaders travelled the Protectorate in pursuit of recruiting new members, discussing BDP ideals and spreading information pertaining to the new constitution which would be employed under BDP rule (Seidler, 2010: 22). The BDP went from strength to strength and in 1965, won 81% of the vote (Lewis, 2006: 12). However, Independence was only formally granted in September 1966 and in 1969, the country became the Republic of Botswana, ruled under the BDP with Seretse Khama as its first president (Parsons & Robinson, 2004: 13).

Although independence was gained peacefully this was by no means, a small feat; Botswana was considered an impoverished nation at the time of independence and while it had detached itself politically from Britain, it was dependent on its finances for the first five years of independence (Parsons & Robinson, 2004: 13). Despite Botswana being financially deficient, it had achieved the kind of independence which has proved impossible in the majority of colonised African countries – a peaceful transition and a largely ethnically homogenous population with the majority considering themselves as Tswana and sharing a common language (Robinson, 2009: 9).

5.3 How Has the BDP Maintained Power for so Long?

The BDP’s rise to and consolidation of power has outlasted the rule of many political parties. This section seeks to ascertain why this has been the case and which factors have contributed to the BDP’s strength. The first factor which will be explored is the BDP’s first president, Seretse Khama and the reasons for his appeal, legitimacy, good governance - which laid the foundations for the long-standing rule of the BDP - and the Tswana foundations which allowed for him to emerge with sufficient authority and inclusive institutions.

Subsequently, the section focuses on the extent to which Khama’s successors, Masire and Mogae have continued to centralise power in the BDP, followed by an analysis of the centralised nature of Botswana’s elite. Thereafter the section questions the degree of centralisation in contemporary Botswana as it concentrates on the leadership of Ian Khama and

the growing factionalism in the BDP. Essentially, it is doubtful whether the BDP would have been able to consolidate power so successfully and continue to enforce inclusive institutions were it not for the level of centralisation and enforced rules and property rights since the pre-colonial period which resulted in entrenched inclusive institutions and set the base for the rise of a centralised power in the BDP at independence and the continuation of inclusive institutions.

5.3.1 Seretse Khama: Background and Appeal

As a president, Seretse Khama has been described as a “generous and astute leader” (Henderson, 1990: 56). Khama descended from a long line of Bamangwato chiefs who were all renowned for their “benevolence and integrity” which contributed significantly to the values of “deliberative democracy and market economic performance” which resulted in Botswana’s later political and economic success (Rotberg, 2003: 29-30).

When it came time for him to attain an education, he attended school in neighbouring South Africa, followed by college at Fort Hare where he received a BA general degree (Henderson, 1990: 28). Later, he was sent to study law in England at Balliol College, Oxford University in London where he subsequently met his wife, a white woman named Ruth Williams – a marriage that sparked much contention in Botswana and South Africa and led to his exile (Henderson, 1990: 28-29). During his exile in England, Khama aligned himself with many members of British political parties as well as students from Africa in an effort to muster political support for his return to Botswana (Henderson, 1990: 30). In order to return from exile, Khama relinquished his chieftaincy, on the condition that he could still partake in Botswana’s political arena and was allowed to return in 1956 (Henderson, 1990: 30-31). Upon returning to Botswana, Khama took up the position of Tribal Secretary which allowed him to exert a degree of power and despite his experiences, in no way was he seen to hold a grudge (Henderson, 1990: 32). His foremost concern for the country was the “issue of stability and ideal of racial harmony” – two factors which played an important role when forming the BDP (Henderson, 1990: 32-33).

Khama was appealing as a leader in a number of ways. Firstly, he was a well-known name around the entire protectorate, given his descent and personal history, and at this time, there was little by way of infrastructure in terms of roads and telecommunications (Henderson, 1990:

37). Secondly, his personal commitment to the country and its future enabled him to further his support because he was willing to campaign in every region – even those in which he was unwelcome (Henderson, 1990: 37). Thirdly, his lineage and birthright, meant that he was able to “appeal to chiefs as an equal” – despite not actively seeking their support, he was careful not to alienate them either (Henderson, 1990: 37). Fourthly, Khama never allowed the BDP to be divided by infighting or financial issues in the same way that some of their rival parties were such as Matante’s split from Mpho in 1962 (Henderson, 1990: 37). Lastly, Khama appealed to traditionalists and had a “delightful personality that could inspire individual loyalty to himself and his ideas” as well as an ability to make people feel “valued and useful” – this attitude stood in stark contrast to the aristocratic approach leaders had taken before him, as he readily shook the hands of rural villagers, exchanged anecdotes and cheerfully addressed any disputes (Henderson, 1990: 37-38).

Khama also ensured his cabinet was balanced and that no “special political influence was given to the Central District (which comprised of over a third percent of the country’s population) (Henderson, 1990: 37). Khama’s tribal lineage secured him a degree of legitimacy and along with his strategic political efforts, he was able to penetrate society and gain traction as a strong political candidate.

5.3.2 Khama’s Legitimacy

Seretse Khama’s embedded degree of legitimacy, outlined previously combined with his noble attributes and a passion for his people enabled him to become an exceptionally effective leader, secure in his own government. This sense of security granted him the efficacy to act boldly and exert effective leadership by way of substantial influence in the final stages of negotiations for the internal self-government constitution (Henderson, 1990: 39).

Some important decisions made in the early days of BDP rule include keeping the expatriate civil services workers in office so as not to lose the skills they had acquired and using them to run a well-functioning bureaucracy, rather than replacing the existing civil servants with newly educated Botswanan civil servants (Henderson, 1990: 39). These bureaucrats were either expatriates or Tswana civil servants who had received an education in London or South Africa (Seidler, 2010: 25). Foreigners or those having received a foreign education were considered more competent as they were more aware of the functioning of effective political institutions

and the problems of which the administration should steer clear such as racism or tribalism (Seidler, 2010: 25). Despite the number of civil service jobs increasing by 20% each year, in 1964, an alarming 75% of people employed as top and middle management, were expatriates – a statistic which remained relatively high even by 1977, with 33% of these senior and middle management positions being filled by expatriates (Parson, 1984: 41-42). ‘Localisation’ of Tswana civil servants into management positions was not done in haste, which is arguably how Khama and those who have succeeded him, have managed to maintain the high standard and efficiency of Botswana’s civil services (Lange, 2009: 15). Keeping expatriate workers in office ensured that the civil service ran smoothly in newly independent Botswana, while new civil servants were adequately trained and well-equipped for their roles when they took over. Many newly decolonised countries are eager to eradicate all aspects of their previous colonial power, including civil servants, however, Khama deciding to keep expatriates in office during the transition of power and until training of new civil servants was complete, was a beneficial decision for the country as an effective bureaucracy increases the penetrative capacity of the state – a decision which is testament to his wisdom and his willingness to wait for the correct timing to achieve his goals (also evidenced by his time in exile).

5.3.3 Limiting Role of Chiefs and Centralisation

Khama’s decision to limit the role of traditional chiefs in Botswana society not only increased the degree of state centralisation, but also started the country on the journey of modernisation. The disempowerment of chiefs took place towards the end of the colonial period and began with the establishment of separate district councils which were elected to govern and oversee the former tribal areas – by this point, chiefs were offered the opportunity to act as ex-officio chairpersons for these district councils over their respective tribal areas, now known as districts (Seidler, 2010: 25).

While the role of chiefs was becoming increasingly restricted, the Chieftaincy Act of 1965 outlined the traditional power of chiefs in an independent Botswana; declaring that chiefs will continue to enjoy judicial power in customary court, maintain their ownership rights over stray cattle, their ability to regulate tribal affairs, arrange kgotla gatherings, as well as the authority to allocate land and other rights (Seidler, 2010: 25). Crucially, it was the president who held the power to suspend or appoint chiefs and once chiefs had agreed to these new terms of their role, their powers were limited gradually through a series of acts such as the 1968 Tribal Land

Act which saw the right to allocate land being taken away from chiefs and granted to the newly created land boards (Adams et al., 2003: 58). Within a short period of time, the powers of chiefs to collect revenue and taxes, too were reassigned to tax authorities and local government until finally, their role as ex-officio in the district councils were extirpated as well (Picard, 1985: 66). The limiting of the chiefs' power and authority came as a stark contrast to tribal and colonial life which the majority of citizens were used to. While, the colonial period had introduced change in a variety of ways, to which the people had responded relatively well, the actions taken to minimise and effectively, disempower the role of the chief, was one which opposed the very tradition that they had honoured for almost two-hundred years. But this limiting of chiefs, did however mean that chiefs could no longer challenge the authority of the state which further strengthened state centralisation. The limiting of the role of chiefs as well as the transition from patrimonial rule to bureaucratic administration was a peaceful transformation by virtue of two factors. The first factor is Khama's legitimacy. His status coupled with the ethnically homogenous nature of the Tswana people, granted him an augmented sense of legitimacy for his presidency and for his actions, meaning that he received support for his decision to limit the role of chiefs, making the transition easier as the country became a sort of "modernised traditional kingdom" (Englebert, 2000: 14). This innate sense of legitimacy for Khama and his government altered the traditional sense of authority as it was no concern that the vice-president was not a former chief which indicates how the Tswana had already begun to transition from their previous tribal views of authority (Lewis, 2006: 14-15). According to Weber, Botswana had transformed from a "legitimate domination of traditional authority" into a "rational-legal authority" centred on rules (Seidler, 2010: 25). The second factor to which this peaceful transformation can be attributed, is that the expeditious development of the state administration was implemented by competent bureaucrats. While maintaining a largely expatriate civil service at independence (as outlined previously), Botswana's bureaucracy was able to function effectively. The disempowerment of chiefs was therefore not a significant concern of citizens as they were largely satisfied with Khama's governance and high standard of civil service which resulted from his rule. According to Khama, this decision to limit the role of chiefs was made in the best interest of democracy, as he did not want to set the precedent that political office could be guaranteed through hereditary, but rather on merit alone (Henderson, 1990: 42). Importantly, his next in command, Quett Masire, warned Khama of the dangers of undermining the powers of traditional leaders such as chiefs as this had the potential to threaten the very nature of power and authority in Botswana (Henderson, 1990: 41). The difficulty for Khama was in striking a balance between maintaining

the support of the chiefs and making sure not to allow them too much power. Essentially, Khama needed power to be centralised in one entity – himself and the BDP – and not too broadly shared among all tribal chiefs. Had it not been for Masire’s advice, it is questionable whether Khama’s acquisition of power would have been as respected, as citizens may have recognised the hypocrisy of political position given his birthright into chiefdom. Limiting the role of chiefs was a wise decision on behalf of Botswana’s first independent leader, as it further strengthened the centralisation and capacity of the state and allowed for elements of traditional Tswana structure to remain in place, albeit in a more minor capacity, while enabling the implantation and foundations of a democratic government to be laid and subsequently coexist in unity – an element of Botswana which, to this day, is not only an anomaly but also a factor proving critical to their post-colonial governing success.

5.3.4 Khama and Democratic Practices

In keeping elements of traditional Tswana society, Khama placed great emphasis on the tradition of kgotla. The idea of kgotla facilitating “discussion and reflection leading to some kind of consensus” was an appealing notion for Khama as it is inherently democratic (Henderson, 1990: 45). Coupled with kgotla, was his determination to rid Africa of racism, an ideal he upheld most fervently, seen not only in his marriage, but his reign as president. He was committed to “ridding southern Africa of racism” – a virtue he pursued in his speeches throughout his time as president as well as in action when required as evidenced by deploying Masire to Francistown in 1969 in order to suppress the “pro-Rhodesian white community” (Henderson, 1990: 45). In line with his support of democratic tendencies like kgotla, was his firm belief that there could be no independence until there was majority rule. He expressed this notion at the Commonwealth Conference of 1969 and in so doing, offered his support in this regard to countries in a similar position such as Lesotho – endeavouring aid in Lesotho’s constitutional crisis in 1970 by clearing a path for mediation on behalf of the Commonwealth Secretary General (Henderson, 1990: 46). Involving himself in the affairs of neighbouring countries indicates that Seretse’s desire for a democratic and non-racist society goes far beyond just his own country, but for his whole continent – which again, stands as testament to his personal character.

The kgotla is still very much in use and is used primarily as a means to communicate new legislation with citizens (Seidler, 2010: 26). Keeping this type of informal institution in use,

increases political legitimacy and feedback from communities in this way, enables leaders to give their people what they are asking for, which in turn, further strengthens legitimacy (Lewis, 2006: 14). A 1979 study found that trust in local institutions such as kgotla was far higher than in national level institutions such as the District Council or Land Board; as the less educated, rural populations had little understanding of national government (Picard, 1985: 66-68). It has also been claimed that informal institutions have significantly more influence regarding the regulation of social life (Williamson, 2000: 596). Taking this into account, it is evident that maintaining Tswana culture and influence in the local level political institutions has granted Khama and his post-colonial government legitimacy, which has enabled him to incorporate European style institutional structures at a national political level which has modernised and benefitted Botswana greatly, while still preserving fully-functioning, efficient and most importantly, inclusive political institutions.

5.3.5 Khama as a Leader

In essence, Khama was a good leader for newly independent Botswana to which much of Botswana's development and later success, can be attributed. He recognised the importance of conserving tradition, while also asserting a need for change, leading to the amalgamation of traditional Tswana as well as modern institutions which arguably became Botswana's biggest asset. Khama was fiercely loyal and held the loyalty of his associates as paramount – even going so far as to dismiss one of his ministers on the basis of disloyalty (Henderson, 1990: 52).

From delving into various aspects of Seretse Khama's leadership as Botswana's first post-colonial president, it is overwhelmingly evident that he was a man not only of character and morals, but also one which sought to uphold the ideals of democracy and freedom. Indeed, he was both visionary in his governing approach as well as acutely in tune with the Tswana people – deciding to include traditional elements into his government which incorporated the principles upon which their society is based, while at the same time, allowing for development and modernisation is arguably the most significant factor contributing to Botswana's success. Furthermore, it must be noted that Khama did not rule alone but was fortunate to have Quett Masire as his vice president. Essentially, Khama achieved a suitable blend of institutions by building on the inclusive institutions of the pre-colonial Tswana and successfully modernising them while continuing to ensure that they remain inclusive in nature. It is also questionable whether Khama would have been able to consolidate the political and economic power that he

did in the BDP were it not for the inclusive institutions and central authority which existed before his rule. Indeed, without such a foundation, even a leader as fair and efficient as Khama would have struggled to implement inclusive institutions and respect for a central authority at the beginning of independence.

5.3.6 Masire and Khama

Serving alongside Seretse Khama, Quett Masire became the first vice-president in Botswana in 1965 and later went on to take over the presidency, serving from 1980 until 1998 (Green, 2017). Masire was fundamental in independent Botswana's early years as he and Khama worked extremely well together. Masire was an early supporter of Khama's and as far back as 1961, ardently supported his decision to form the BDP which was fortunate for Khama as it is believed that without the backing of Masire, or if Masire were to have supported an alternate political figure at the time, Khama would have had a far greater struggle on his road to president (Henderson, 1990: 33). The two met at a Legislative Council meeting and found an instant connection due to their similar interests and although the formation of the BDP was Khama's idea, the organisation of this formation came down to Masire (Henderson, 1990: 34). As the BDP grew in popularity and prominence, Khama very much assumed the role of the figurehead authority, while allowing other party members such as Masire to take on a larger role in the chamber as well as the handling of financial questions as he had a more technical understanding of intricate financial matters (Henderson, 1990: 35, 41). It could be argued that without Khama, it would be questionable if Masire would have been able to assume the presidency. It has been argued were Khama not to have ruled as peacefully as he did or be as effective in altering the attitudes of citizens with regards to political office, it is unlikely an environment such as the one which prevailed, would have been created in order to enable Masire to be elected president (Henderson, 1990: 55).

5.3.7 Masire's Presidential Successes

Masire had many successes throughout his reign. In this regard, there are three successes in particular which defined his presidency and should be mentioned. The first of which was his handling of the seven-year drought which began one year after he assumed the presidency and severely impacted grain production – falling from 58 kilograms in 1980/1981 to a mere 7 kilograms by 1983/1984 (Green, 2017). In response, Masire was pro-active in enforcing the

Labour Based Relief Projects which sought to build dams, fences and houses; dig trenches and plant gardens all as a measure for increasing employment and therefore ability to pay for food (Green, 2017). It must be noted, that no Botswanan died as a result of the drought and that Masire's efforts were made more effective by the fact that Botswana's drought received little attention due to it coinciding with both the Ethiopian and Sudanese droughts which accrued a vast number of deaths (Green, 2017). Given the inconsequential media coverage as well as the length and severity of the drought, to have not had even one drought-related death while, simultaneously turning the drought into a stimulant of development of infrastructure, Masire's legitimacy as a leader was further entrenched as was that of his government.

His second biggest achievement, was the continuation of the economic success achieved by his predecessor. Much of this economic growth can be attributed to Botswana's diamond mines and production, however, it was the decisions made by Masire which helped to sustain this growth. Firstly, due to Debswana – the half government, half De Beers owned company – controlling all diamond production, mining was effective and substantial revenue was enjoyed by Botswana (Green, 2017). Further details of the role of De Beers in Botswana's diamond mining will be provided in chapter 6. In Addition, Masire's decision to peg the Pula to a number of other currencies aided in keeping the country's exports competitive despite currency devaluations throughout the 1980s and early 1990s (Green, 2017). Due to devaluations causing import costs to increase, the majority of African countries attempted to overvalue their currencies in a bid to reduce such costs – but this had devastating economic effects later on (Green, 2017). Botswana was able to avoid the impacts of an overvalued currency as well as reduce the impact of the decrease in global diamond prices which would otherwise have been calamitous (Green, 2017).

Lastly, and one seemingly simple, yet powerful achievement was Masire's voluntary resignation of presidential office – again, an indication of the sense of legitimacy with which he ruled. Moreover, it was the peaceful transition of power to his successor Festus Mogae which set the precedent for more peaceful transitions of power to come (Green, 2017). A phenomenon which is not frequent in Africa.

5.3.8 Mogae's Presidential Successes

An important area in which Mogae should be praised is his adoption of issues which failed to be adequately addressed by his predecessor. These issues include the HIV/AIDS epidemic and the vast levels of income inequality and poverty. On the issue of HIV/AIDS, the disease is estimated to impact one third of Botswana's economically active members (Coleman, 2010: 10). In a bid to curb these statistics, Mogae embarked on the implementation of various strategies such as providing anti-retroviral drugs to women who are pregnant in order to prevent the transmission from mother to child and subsequently, the provision of anti-retroviral drugs to any HIV/AIDS positive member of society (Coleman, 2010: 10). Such an initiative proved fruitful and by 2003, it was evident that the "prevalence of HIV in the youth population was stable", which indicated that Mogae's efforts were successful (Coleman, 2010: 10). In addition, Mogae instituted a programme in which the government pledged to pay for the upkeep of any child orphaned as a result of AIDS (Coleman, 2010: 10). By the strategies undertaken, it is evident that Mogae not only addressed the HIV/AIDS problem at its root, but also its after-effects.

Furthermore, Mogae has taken it upon himself to implement programmes which aim to alleviate poverty in Botswana. Poverty was a larger challenge than what might be thought, seeing as Botswana as a country is considered wealthy, with a healthy GDP and flourishing economy, which stands in contrast all the more to those who are living at or below the poverty line. Mogae feared an uprising as a result of alienation between elites and the poverty stricken who feel that they are not receiving any benefit from Botswana's diamond wealth (Coleman, 2010: 10). In 1994, the percentage of the population who lived below or at the poverty level was an alarming 47% which subsequently nudged President Mogae to enforce programs aimed at alleviating poverty by 50% by 2012 (Coleman, 2010: 10). Within a few years, by 2003, it was reported by the National Strategy for Poverty Reduction that the poverty rate stood at 37% (Coleman, 2010: 11). Even more impressive is the fall in the poverty rate between 2003 and the 2009/2010 year which decreased by 36%, accompanied by a fall in the level of inequality by 4 percentage points (The World Bank, 2015a: 46). These positive statistics were made possible due to Mogae's poverty programmes as well as the country's thriving economy which aided in the funding of such programmes (Coleman, 2010: 10-11). These policies as well as the general running of government were highly praised at the end of Mogae's first term in office. Indeed, in 2003, Botswana was awarded the top spot for "good governance" among

African countries by the World Economic Forum which took into account “rule of law, corruption, and enforcement of contracts, and also used evaluations from business leaders (Coleman, 2010: 10). Likewise, Botswana fared first among all other African countries with regards to macro-economic performance, policies relating to institution building and reduction of poverty by Economic Commission for Africa (Coleman, 2010: 10).

5.3.9 Did Masire and Mogae Further Centralise Power in the BDP?

Through to the emergence of a central authority at independence and the legitimacy and rule of Khama, the state continued to be strengthened, keeping power centralised in the BDP. Due to Masire and Mogae also having relatively good leadership qualities and policies, the authority within the state has remained centralised. Masire’s effective management of the drought in Botswana demonstrated the capabilities of the state to look after its people in the face of dire issues which resulted in furthering citizens’ faith in the state. Likewise, the economic prosperity that persisted under Masire too, was testament to the BDP’s abilities, thus increasing faith in the BDP, further cementing it as a strong, central authority. Mogae also further centralised power within the BDP through his programmes. Most notably, his concentration on HIV/AIDS and policies aimed at the alleviation of poverty were both successful and served to indicate that the BDP was capable of meaningfully addressing such issues. This too led to further faith and confidence being placed in the BDP, which secured their authority and centralised their power to a greater degree. It must, however, be acknowledged that despite their abilities, majority support and centralisation of power in the BDP, factions were beginning to sprout within the BDP under Mogae.

5.3.10 Elites and Centralisation

Botswana’s political elite is small in number and largely close-knitted socially, due in part to its size, but also to its common upbringing of receiving a Christian education abroad (Sebudubudu & Botlhomilwe, 2011: 34). The cohesive nature of the elite also aids in the further centralisation of power as it served to maintain the power among a small group.

Their racial and ethnic origins were varied, however, much like the homogeneity within post-colonial Botswana, this did not make much of a difference as they were essentially part of the same “Tswana stock” with a largely common language, education, culture and social

background (Sebudubudu & Molutsi, 2009: 3). From the above, it would be fair to say that Botswana's elite are small, but cohesive – a powerful combination. More importantly, Botswana's elite also have common, well-defined economic interests and are not challenged from anyone below (the general citizenry) (Dunning, 2008: 260). This is advantageous for the elite as it means that they do not face any opposition from citizens regarding their economic interests which in turn, means that no resource rents are having to be spent by elites in order to suppress objections to their interests which as Dunning argues, is why democracy has prevailed in Botswana because no dictatorial or autocratic measures have needed to be taken concerning citizens (Dunning, 2008: 261).

These questions remain, firstly, how did this elite emerge? Why are they such a cohesive group? Lastly, why have they received little opposition? To answer the first question, it is vital to acknowledge first and foremost, that prior to the discovery of diamonds, Botswana was an agricultural based society, largely dependent on cattle ranching. Most of the political elite arose from the cattle economy as assets were unequally distributed.

As a 1980s study found that 45% of Botswana did not own cattle, while a mere 7% owned roughly half of the national herd (Nengwekhulu, 1998: 359). Cattle ranching, besides the production of diamonds, is a leading economic sector in Botswana as it contributes roughly 80% of “gross agricultural output in rural areas, where approximately 70% of Botswana's population live” (Nengwekhulu, 1998: 359). The predominant issue here is that the assets and profits of cattle ranching are so unequally distributed, that it has led to the emergence of an elite. A class of elite so distinct that it has aptly been dubbed the “beefocracy” (Robinson & Parsons, 2006: 120-121). Progressing to the reasons why the elite are so cohesive, a number of theories have been offered, however, a few stand out.

Firstly, it is possible that this cohesion stems from the “historical legacy of benign neglect” by the British, who, by ruling from Mafikeng, South Africa, implemented strategies of indirect rule which “were not as divisive of the elite as they were elsewhere in sub-Saharan Africa” (Dunning, 2008: 261). Robinson and Parson suggest that perhaps this cohesion originates from the Tswana's common enemies such as the Boers, the British and the Union of South Africa which threatened to encroach on their land and caused them to stand in unity as a kind of “defensive modernisation” (Robinson & Parsons, 2006: 122). Other scholars have argued that it stems from a more recent time period – of Khama, at independence attempting to unite chiefs

and leaders of all the Tswana tribes in order to achieve a “national, legal-rational state” (Dunning, 2008: 261). Whatever the reason, it is evident that Botswana’s elite have been tight-knit and cohesive since independence as well as in the colonial period.

Lastly, to address why the elite has received such little opposition, it is imperative that Khama’s reign as well as the distribution of diamond rents be considered. The first reason why this may be comes down to Seretse Khama who when ascending to the presidency encouraged and persuaded many of the other Tswana chiefs to “follow him in the project of state-building at the national level” which consolidated power within the group which reinforced their authority, rendering them virtually untouchable (Dunning, 2008: 263).

Alternatively, a lack of opposition from below stems from the ability to allocate diamond rents at the first sign of discontent and invest heavily in infrastructure (to be discussed in chapter 6). Were it not for the small size and cohesive nature of the elite in Botswana, or for the revenue from diamonds which has arguable enabled the group’s economic interests to remain intact, it is questionable whether this group would firstly, wield the power that it does and secondly, remain unopposed by the general citizenry. In contrast to elites from other resource-abundant countries, the interests of Botswana’s elites lie in different areas. What is usually the case, is that the elite’s economic interests align with the resource possessed by the country, however, in Botswana, the elite’s economic interest remains in the cattle economy rather than diamond mining.

By the early 1970s, the income received from diamond mining far outweighed that from cattle ranching which also makes this decision more puzzling (Acemoglu, Johnson & Robinson, 2003: 102). There are two reasons which explain why this is the case. Firstly, elites did not feel their power or position threatened by the growth in the diamond industry due to the already developed institutions at independence (Acemoglu, Johnson & Robinson, 2003: 103).

Due to the Tswana institutions remaining intact despite colonial rule, there was an element of political stability which persisted after independence – this continuity of pre-colonial Tswana institutions is what much of Seretse Khama’s legitimacy can be attributed to and helped to sustain elites in their positions of authority (Acemoglu, Johnson & Robinson, 2003: 103). The reason why this is not the case for the majority of African countries post-independence is because the majority of post-colonial leaders introduce developmental policies which seek to

undo the policies laid down by colonisers, thus, thrusting old elites into obscurity, making place for new elites (Acemoglu, Johnson & Robinson, 2003: 103). However, the scenario in Botswana was different because in the same way that old institutional structures remained, so too, did the elites. The second reason outlining why elites did not assume diamond production as their economic interest was due to constraints placed upon them. These constraints derived from the very nature of the institutions themselves, one being the kgotla which limited the overall power of elites and forced them to take responsibility for their actions, making them accountable to Botswana's citizens (Acemoglu, Johnson & Robinson, 2003: 103). If it were not for this standard of accountability it is questionable whether elites in Botswana may have attempted to expropriate diamond revenue in addition to cattle ranching.

Not that elites have not been problematic or disruptive to the successful running of Botswana as a country. The cohesive, tight-knit nature of elites have also served to further centralise power in the BDP as not only do the elite maintain power within a small, unified group, but they also fervently support the BDP. While they may enjoy unfair privileges, they have also not received any opposition – perhaps, due in part to the fact that they use diamond rents to invest in social projects that spur development.

The real question, however, is what would happen to Botswana's elite were the BDP to be ousted from government? Botswana, having never had a non-BDP independent government, makes this an impossible question to answer. Dunning makes an interesting point when he questions whether the elites may turn to more authoritarian style measures, using diamond rents to hold onto power or would that not be necessary since the economic interests of the 'new' elite may be in line with those of the current elite and both could coexist (Dunning, 2008: 266-267).

5.3.11 Is Power Still Centralised in the BDP?

It is fair to ask whether, or rather why the central authority and inclusive institutions that were firmly in place at the time of independence and were sustained in the early independence period have been able to persist? BDP support has wavered over the decades and growing factionalism within the party risks destroying the hegemony of the BDP. At the first signs of factionalism the son of Seretse Khama, Ian Khama was introduced into the party by Mogae, who would later become president. Essentially, it was a fear and loss of state centralisation within the BDP

which resulted in Mogae attempting to consolidate power by introducing Ian Khama. Unfortunately, Ian Khama had the opposite effect, losing the BDP the landslide majority and support they had and failing to further consolidate power within the party. The fact that such a measure was taken, and Ian Khama was introduced, shows the importance of state centralisation and the need and desire to maintain it. Before Ian Khama assumed office, BDP popularity was decreasing but the party always won a clear majority, however, during Khama's presidency and thereafter, the BDP has had much closer competition. This section will review the introduction of Ian Khama to office, his presidency and the extent to which the BDP has lost a degree of centralisation.

5.3.12 Factionalism

Factionalism is a dangerous prospect and indicates a decrease in the power of the state. Factionalism became an increasing occurrence amongst the BDP and political elite as Ian Khama rose to power. The following two issues became particularly troubling in this regard as they have weakened the legitimacy of the BDP and negatively impacted the degree of state centralisation as evidenced by a decrease of BDP support in elections. These issues are Ian Khama's personality and his pre-occupation with maintaining control.

5.3.12.1 Risk of Growing Factionalism in the BDP

By 1998, Botswana boasted a stable democracy with over thirty years of consistent economic growth, respected democratic elections and was firmly cemented as the largest producer of diamonds by value since the 1980s which had contributed to a healthy GDP for quite some time by the time Mogae took over (Coleman, 2010: 8). Despite this success, BDP power was eroding, as seen by a 10% decrease in support and thirteen seat loss in the 1994 elections which seemed to be corrected in the 1999 elections with Mogae running for the presidency, where the BDP won by a landslide, occupying thirty-three out of forty seats (Coleman, 2010: 9). As a means of further consolidating power within the hands of the BDP, Mogae decided to include Ian Khama – the son of Seretse Khama – as Vice-President of the party in order to garner the support of the rural citizens (Coleman, 2010: 9).

This move was the cause of far greater division than it was consolidation as Khama, being a former military man combined with his lack of political experience, “perceived high-handed

manner, and his public disdain for career politicians” made him unpopular among many BDP officials (Coleman, 2010: 9). Such was the protest to this decision, that a group of BDP officials attempted to pass a motion to abolish the clause in the Constitution allowing for the automatic succession of the Vice-President to the Presidency (Coleman, 2010: 9-10). Despite Mogae’s good intentions to consolidate further support, his plan worked only to divide his party. Considering this tradition of automatic succession has been in place since independence and that no concern was expressed over it for almost forty years, such an attempt speaks volumes about Ian Khama.

5.3.12.2 Ian Khama’s Personality

“During his Presidency General Khama has used the techniques and capacities of personal, militaristic rule to an exceptional degree” (Good, 2010: 318). He was a military man and unlike, his father, did not place the same amount of emphasis on democracy. This section will briefly examine Ian Khama in a personal capacity as well as his ascent to power, followed by an evaluation of his time in office, with particular emphasis on the militarisation of Botswana during his time as president and the degree to which the democratic values which have long underpinned Botswana have been undermined by his actions.

In 1977, at the age of twenty-four, Ian was appointed as Brigadier in the Botswana Defence Force (BDF) by his father, Seretse – a nepotistic move which sparked tension as he was awarded the position above more “experienced and better-educated officers in the then “Police Mobile Unit” (Good, 2010: 319). This indicates that not only was Ian unaccustomed to earning his position on merit, but with such a militaristic background, he was acclimated to stricter, more authoritarian tendencies – a proclivity which would arise in his reign as president. It was abundantly clear that Ian had ascended to this position on his own terms and that he viewed himself as above the law. This is evident from his refusal to relinquish his chieftaincy, despite this being a well-known term of law which his own father was forced to respect decades earlier (Good, 2010: 319). Along with his own conditions, he “brought with him his close attendants from the BDF” – an issue which would later spark conflict – however, Mogae acquiesced his terms as factions were beginning to grow within the BDP (Good, 2010: 319).

5.3.12.3 Ian Khama's Preoccupation with Control

Ian Khama's fear of losing control resulted in him using less than savoury tactics. However, it is these tactics which have caused him to reduce the legitimacy of the state, having the opposite effect on his maintaining of power. One example is the murder of John Kalafatis in 2009. Kalafatis was the second murder in a week and the media reported that these attacks were carried out by agents of the state (Good, 2010: 316). The Botswana Congress Party (BCP) took the opportunity to chastise the BDP, saying that the party and the DIS (Directorate of Intelligence and Security Services) were responsible for the murder stating that the DIS, was "a law unto itself" (Piet & Modise, 2009). Within Khama's first year as president, there had been twelve shooting incidents involving the police and eight fatalities (Good, 2010: 316). The DIS are meant to be held accountable, however, the tribunal was overseen by Ian Khama's cronies (Good, 2010: 316). In addition to the DIS being untrustworthy, the police have been tasked with shielding the DIS from scrutiny as well as in the destruction of evidence (Good, 2010: 318). Citizens lost faith in public protectors – a dangerous first step in the autocratisation of the country which in one year alone, cost Khama a significant degree of legitimacy.

Khama's paranoia regarding staying in power rings true regarding his desire to maintain control. This was evident from his restrictions on alcohol consumption, strict rules regarding clothing of bureaucrats and cell phone censoring. Worse yet, was Khama's insistence on the surveillance of civilians by way of monitoring their personal communication. In order to achieve this, a surveillance network was installed which enabled the state to have access to all mobile and electronic mail entering and leaving Botswana and if people failed to provide details of their identity, their mobile access would be disconnected (Good, 2010: 321). These tactics were a way for Khama to exert further control and influence over the population, solidifying power more firmly in his own hands and demonstrates the deep reach of the state in the private lives of citizens. Khama argued that "democracy demanded discipline" which was why many of the above measures needed to be taken (Good, 2010: 321). However, it appears the pursuit of democracy was used simply as an excuse for Khama to wield further power. This level of control indicates the level of authority of the state, demonstrating that power was centralised to a significant degree within Khama, however, the manner in which he exercised authority led Botswana's institutions to be more extractive than inclusive which is potentially dangerous for Botswana's future.

In addition, Khama made sure that he was able to exert control over the media and communications by ensuring a “very close and trusted friend”, Venson-Motoi, was appointed Minister of Communications which placed him in control of “the government’s radio, television, and print networks with their unique nation-wide coverage” (Good, 2010: 322). Similarly, Gloria Kgosi, a close relative of Isaac Kgosi who was chief of the DIS, was made BTV presidential reporter in charge of covering all media regarding the president (Good, 2010: 322-323). While ensuring that there will be little to no negative media attention, controlling the media and communications in such a way is also indicative of underhanded practises, often of questionable legality. Moreover, a president who feels the need to fill the positions around him with friends, family and those he assumes will be loyal, signals that he either desires an even greater degree of control or that he was aware that he was not fit for rule and did not want anyone around him to realise this.

Mogae included Khama in the BDP to consolidate support, however factionalism increased upon his ascent to power and for reasons unknown, he even affiliated himself with one of the factions within the party (Botlhomilwe & Sebudubudu, 2011: 99). Even more problematic was his dislike of elections for positions of executive authority within the party. Rather than hold elections, Khama preferred to use a ‘compromise list’, as he claimed that elections were divisive, however, it was evident that such a list was used to appoint the BDP’s Central Committee in 2011, handpicked by Khama (Sebudubudu & Botlhomilwe, 2011: 42). Furthermore, when two distinct camps formed in the BDP, the first being led by Jacob Nkate, the minister of education and General Merafhe, which was “actively supported by Khama” and the second, led by Kwelagobe and Kedikilwe, which Khama likewise, openly opposed (Good, 2010: 323). Thus, actively working against the consolidation of his party.

5.3.12.4 Ian Khama as a Leader

Khama was “reclusive, divisive, secretive and isolationist” as a leader and during his time in office, undermined democracy and the rule of law (Good, 2010: 324). As president, he failed to address even one press conference and in July 2009, when asked by the Botswana National Youth Council to engage in a debate with his opposition in the lead up to the national elections in October, the President not only refused the invitation but sought to end the debates entirely, ordering the Youth Council to cancel the debates (Good, 2010: 323). Nevertheless, the support of the people for the BDP was able to sustain the votes and he won the 2009 election. Despite

being brought into the BDP to consolidate power and put an end to factionalism, Ian Khama did the opposite, solidifying already existing factions and further entrenching them. Much of the public disdain was reflected in the 2014 elections when the BDP share of votes fell just below 50% for the first time in half a century (Njanji, 2019). Factions were deepened further in 2018 when Khama's personally chosen Vice-President, Mokgweetsi Masisi took over the presidency and began reversing some of Khama's policies such as the "ban on elephant trophy hunting" which in particular, aggravated Khama, prompting him to renounce Masisi as autocratic and turning to support their opposition, the Umbrella for Democratic Change (UDC), before forming his own opposition party, the Botswana Patriotic Front (BPF) (Njanji, 2019). Even at the end of his time as President, Ian Khama's renouncing of Masisi has led to further factions within the party as people are unsure as to who to support. Though increasing the militarisation of Botswana and thereby undermining the democracy which had long been in place, Ian Khama managed to maintain the flow of income from diamonds and retain enough popularity of the BDP for it to remain in power.

5.4 Conclusion

Due to the degree of state centralisation in Botswana in addition to the effective enforcement of rules and property rights, Botswana emerged as an inclusive institution at independence. This was primarily a result of Tswana culture which has long enforced inclusive institutions and limited colonial legacy which enabled pre-colonial Tswana culture and structures to survive the colonial period and lastly, a merging of Tswana and modern institutions by the BDP in the independent period which has resulted in the implementing and endurance of inclusive institutions which have benefited the country. Indeed, it was the existence of a central authority and inclusive political and economic institutions in the pre-colonial period which laid the foundations for the rise and power of the BDP at independence and is the reason why the BDP emerged and has subsequently been able to hold onto power in Botswana for so long and ruled in a largely effective manner. However, it must be acknowledged that just because Botswana has been able to escape the resource curse up until now, does not mean that it will necessarily continue to escape it. It is possible that poor leadership and adverse decisions in the future could reverse the country's good progress and Botswana could begin to experience the negative impact of resources. The following chapter will examine the degree to which these factors have helped Botswana to manage the effects of the resource curse.

Chapter 6: Impact of Institutional Development and Management of Diamond Revenue

6.1 Introduction

The impact of resource discovery can either be detrimental or propitious and vitally, it is institutional development that determines such an outcome. This chapter will therefore demonstrate how Botswana's emergence as a centralised state with inclusive institutions at independence resulted in the BDP having the capacity to manage diamonds and their potentially destructive consequences and avoided the Resource Curse. This chapter too, will focus on diamonds in Botswana, exploring their unique features and emphasising the benefit of their discovery as seen through the diversification of the economy, creation of industries and development of infrastructure as a result of diamond revenue. Subsequently, Botswana's attitude toward creative destruction will be evaluated, with particular attention on the post-colonial innovation and developments spurred by diamond revenue. Additionally, the significance of creative destruction will also be discussed, with a keen focus on the interests of the BDP, followed by a consideration of the challenges which still persist in the country despite such competent handling of creative destruction. The chapter will be laid out in the above fashion in order to demonstrate the progression of how institutions impact the management of resources after their discovery and thereafter, the impact of resource revenue on industry and development and the creative destruction with which it brings. Ultimately, this chapter expresses the importance of institutions regarding resource discovery, how resource revenue bolsters other sectors of the economy leading to creative destruction, how the institutions determine how that creative destruction will be handled and finally, in the case of Botswana, how their developed, inclusive institutions resulted in the country successfully managing the discovery of diamonds and the creative destruction which came with it, that ultimately, served to strengthen the state.

6.2 Diamonds

This section will consist of two subsections. The first of which concerns the impact of institutional development and the discovery of diamonds, while the second addresses the unique features of Botswana's diamond industry which helped the industry to emerge

successfully. Once the above has been established, the section will conclude that if it were not for the discovery of diamonds and more importantly, if it were not for the inclusive institutions in place which resulted in a cohesive, coherent state capable of handling the discovery of diamonds, Botswana would not be as prosperous as it is today.

6.2.1 Impact of Institutional Development

As the previous chapter has demonstrated, Botswana was able to emerge as a relatively inclusive institution at independence due primarily to two factors: state centralisation and the enforcement of rules and property rights. Due to limited colonial influence, these factors persisted in Botswana and laid the foundations for the rise and power of the BDP and thereby the continuation of relatively inclusive institutions. It is these institutions which the BDP adopted as well as the peaceful and unanimous conditions under which the party was formed which resulted in the BDP running a relatively coherent state at independence, thus enabling the party to manage the discovery and subsequent revenue of diamonds in a positive manner. Crucially, it is this competent handling of the discovery of diamonds which contributed to diamonds being a blessing as they were used favourably to the benefit of the country, essentially escaping the resource curse.

Indeed, the importance of Botswana escaping the resource curse, cannot be understated. As was explored in the literature review, a resource curse is likely to occur in resource-abundant countries in one of the following three manners - impacting economic performance, impacting conflict and civil war or lastly, impacting political regime type and democracy.

6.2.1.1 Economic Performance

According to Wheeler, countries rich in resources are more likely to be characterised by slower economic growth than their non-resource counterparts (Wheeler, 1984). Similarly, resource abundant countries have been found to experience a decline in the efficiency of their domestic capital formation (Gelb & Associates, 1998) with income per capita growing three times more slowly than in a country without resources (Auty, 2001: 3). In addition, resource-abundant countries are more likely to have higher levels of corruption (Leite & Weidmann, 1999) as well as poorer human development levels and increased poverty (Ross, 2003). As is evident by this point the outcome of diamonds in Botswana could not have had a more opposite effect.

Diamonds had an enormously positive impact on economic growth as indicated by the increase in the aggregate growth rate of GDP by 50% between the 1979/80 financial year to the 1986/87 year (Jerven, 2010: 83). Likewise, diamond revenue quickly came to account for a third of the country's GDP and half of the government's revenue (Taylor & Mokhawa, 2003: 273). By no means did Botswana experience slow growth or declining income per capita as a result of the discovering of diamonds. Botswana also lacks the high levels of corruption found in many resource-abundant countries, however, this is likely to be largely due to a centralised authority with a firm grip on power without a clear political opponent. Sadly, it must be acknowledged that Botswana does not have particularly high levels of human development and is characterised by a high level of poverty due to very few people being employed in the diamond sector.

Interestingly to contrast many of the scholars from the late twentieth century period, Stevens argues that it is not the presence of resources themselves which result in a resource curse, but rather the quality of economic institutions which determine the likelihood of such curse-like symptoms. According to Stevens, the quality of economic institutions in addition to the management of those institutions and of the country as a whole will determine such a fate (Stevens, Lahn & Kooroshy, 2015: 9). Following this argument, it is evident that Botswana has avoided the resource curse because of its well-functioning, inclusive institutions which has enabled it to handle the discovery of diamonds extraordinarily well, thus avoiding the resource curse.

6.2.1.2 Conflict and Civil War

Another school of thought pertaining to the resource curse, is that resources result in conflict and civil war for two reasons in particular. The first being that resources make governments weaker due to corruption and they consequently struggle to hold down rebellions or uprisings, while the second reason is that resources increase the value of other groups to capture the state which too results in violence and conflict (de Soysa, 2002; Fearon & Laitin, 2003; Le Billon, 2005). Unlike some resource-abundant countries, Botswana is again an anomaly. A lack of conflict arising from the discovery of diamonds in Botswana could be due to a number of factors. One such factor being that Botswana is a relatively homogenous society with little ethnic conflict. Another being that due to the BDP holding such a majority (particularly at the time of discovery and establishment of the diamond industry), there was little opposition and

therefore very few other groups vying for power. However, the reason for a lack of conflict is most probably a combination of the above factors combined with the foundation of strong, inclusive institutions which allowed for the successful handling of diamonds as well as for the impact of diamonds to benefit the whole society.

6.2.1.3 Political Regime Type and Democracy

Quite simply, many scholars have found that an increase in resources leads to a decline in democracy and a tendency toward authoritarianism (Wantchekon, 1999). Similar to the argument for conflict and civil war is that scholars claim that it is because states are weakened by resources that they turn toward such authoritarian practices (Ross, 2013: 8). However, in the case of Botswana, the government has neither weakened, nor turned to authoritarian tendencies in the period closest to the discovery of diamonds. While the authoritarian tendencies demonstrated by Ian Khama cannot be ignored, they were only displayed in Botswana's more recent history, decades after the discovery of diamonds and therefore do not relate as directly to these arguments of scholars. The strength of the state and firm grip on democracy despite the discovery of diamonds can be attributed to the significant degree of state centralisation, general upholding of democratic values and practices by Khama at the time of the diamond discovery and the inclusive institutions which stood to ensure diamond revenue benefited the entire country and its people.

6.2.1.4 Institutions and Resources

Harping back on the point made by Stevens, scholars in the resource curse field have also found the impact of the quality of institutions on resources to be irrefutable. If a country has weak institutions, they are more likely to suffer the "voracity effect" which leads to resources having negative impacts, resulting in groups vying for resource rents which are subsequently squandered such that the resources fail to have a beneficial effect (Tornell & Lane, 1999).

Alternatively, resources have also been found to have a negative impact on institutions. According to a number of scholars, resources stunt the evolution of institutions in a number of ways. Either as a result of their volatile nature, governments have difficulty in planning, thus negatively impacting institutions (Karl, 1997) or the expansion of government revenue makes it harder for the government to manage (Hertog, 2007). Additionally, governments lose

accountability when they rely on resource revenue instead of taxation income (Beblawi, 1987) and resource rents also entice low-quality political candidates which can also negatively impact government and its institutions (Ross, 2001b).

Due to the significant effect of institutions on resources and vice-versa, much of the successful management of diamonds and its revenue in Botswana must be attributed to its inclusive institutions. Were it not for such embedded state centralisation and enforceable rules and property rights, it is questionable whether the BDP would have arisen with the autonomy, majority and endemic strong, inclusive institutions that it did. This authority and institutions aided the BDP in its handling of diamonds which enabled the country to defy the odds and the resource curse.

6.2.2 Unique Features of the Diamond Industry in Botswana

In addition to the favourable features of sound institutions and a coherent authority under which Botswana's diamonds were discovered as outlined above, there are a number of unique characteristics of Botswana's diamonds and landscape which too had a positive effect on the diamonds and thus served to avoid any resource curse-like symptoms. This section will therefore delve briefly into the background of diamonds in Botswana, followed by an analysis of the aforementioned characteristics of the nature of diamonds, time of discovery, type, location, lootability as well as the leadership at the time of discovery which all impacted greatly on the degree to which diamonds were a blessing for Botswana. The section will also acknowledge the negative impact of such an industry, but will conclude that despite the negatives, Botswana would not have been nearly as economically successful without diamonds and the conditions under which they were discovered.

6.2.2.1 Background

While some gold had been mined in Botswana until 1964, it was the discovery of diamonds in 1967 at Letlhakane which changed the trajectory of Botswana's future forever, sparking the intensive mining and development of minerals in Botswana (Tomlinson, 1975: 272). A short while later, one of the biggest diamond pipes in the world was discovered in the country in Orapa – a pipe so large, that it covered 112.5 hectares and by 1971, was able to “treat 7 250 tonnes of diamond-bearing material a day” (Tomlinson, 1975: 272). By 1974, Orapa was

producing 3 million carats of industrial diamonds with a market value of R22 million (Tomlinson, 1975: 272). It is also important to note the foreign attention as well as support Botswana now received courtesy of its newfound status as one of the world's largest diamond producers (Tomlinson, 1975: 272).

Over a quarter of a century later, Botswana more than stands its stead in the diamond mining industry. While the country is not the largest producer of diamonds in the world, it remains the largest producer by value of diamonds in the world (Taylor & Mokhawa, 2003: 262). Due to low domestic costs of production in comparison to their sales value, diamonds were enormously profitable for Botswana and by the 1980s, had far overtaken the beef industry, accounting for 40% of the country's exports by 1981 and 87% by 2001 (Taylor & Mokhawa, 2003: 263). Indeed, diamonds quickly became a significant part of Botswana's economy, accounting for one third of GDP and half of all government revenue (Taylor & Mokhawa, 2003: 273). Indeed, growth from diamond mining was exponential and proved invaluable to the country as seen by "the aggregate growth rate of total GDP almost doubling from 1979/80 to 1986/87" with 70% of this increase attributed solely to the mining sector (Jerven, 2010: 83). Additionally, government came to rely far more heavily on diamond mining for its revenue during this period, with over 50% of government revenue originating from mining in 1985/86 (Harvey & Lewis, 1990: 110). The growth in this sector was so significant, that without diamonds, Botswana would be in a very different position. During the 1973/74 to 1978/79 period, the combined value added from both the manufacturing and agricultural sector grew by 2% per year on average which would have resulted in a GDP growth nowhere near necessary to keep up with the population growth (Jerven, 2010: 82). Without diamond mining, the economy would not have grown nearly as much nor as fast as it did in Botswana which would have made it significantly more challenging for the country to invest in infrastructure or be anywhere close to the financial status which it currently stands. Indeed, it is evident that diamonds in Botswana have had an undeniably positive impact with no indication of a resource curse. The next section outlines the characteristics of Botswana's diamonds which have contributed to its success.

6.2.2.2 Features of Botswana's Diamonds

While establishing that the presence of diamonds had enormously beneficial impacts for Botswana, it is important to dissect some of the features which resulted in Botswana's

diamonds being so beneficial. There are three main features which explain why this is the case. The first of which is the nature of Botswana's diamonds. Botswana's diamonds are kimberlite, meaning that they are more difficult to mine and require expertise and apparatus to extract (Jerven, 2010: 93). This ensures that the diamonds can only be mined by corporations that have the expertise and equipment which have been hired and authorised by the government to mine, preventing any individuals from being able to extract and loot diamonds which would be a loss for the state and could easily lead to conflict as well as serve as a source of funding for conflict. The second reason is that the population of Botswana is very small relative to its diamond wealth which means that the revenue from diamonds goes further to aiding the development and provision of infrastructure and resources per capita (Jerven, 2010: 93). Lastly, Botswana is extremely fortunate that diamonds were discovered after independence and not while they were still a British protectorate (Jerven, 2010: 93). This has enabled Botswana to benefit solely from their diamond deposits without their colonial power being entitled to revenue nor be left with the extractive institutions which typically characterise resource-abundant colonies. Again, limited colonisation in Botswana was beneficial, as it enabled Botswana's pre-colonial structures to persist, thus allowing for the discovery of diamonds to take place in an environment of strong, inclusive institutions which enabled them to be managed successfully. Furthermore, Jerven identifies the biggest contributing factor to sustainable development as macroeconomic and political stability (Jerven, 2010: 93). As has been demonstrated by Acemoglu and Robinson's framework, sustainable development is a typical outcome of macroeconomic and political stability - both prominent factors of inclusive institutions. Macroeconomic and political stability has been achieved in Botswana because diamonds have provided "a steady and secure stream of revenues" which has enabled widespread economic growth and development (Jerven, 2010: 93). It is therefore evident that while diamonds alone are not always a blessing for a country, the effective control and production of them as well as some of their specific characteristics, secures steady revenues which aids development and long-term stability. Two more characteristics of diamonds themselves which contributed to Botswana's escape of the resource curse and ultimately diamond success will now be discussed.

6.2.2.3 Type of Diamonds – Location and Lootability

Overall, it must be acknowledged that Botswana has been particularly fortunate with regards to its diamonds and conditions surrounding their discovery and nature. Thorough research into

resource curse literature has revealed that there are a number of factors which determine the likelihood of particular resources causing conflict which serve to explain why diamonds were a curse in Sierra Leone, but not in Botswana. Again, it is evident that in addition to the opportune conditions in which Botswana's diamonds were discovered and extracted, they were also fortunate in the type of diamonds with which they have been blessed. The reason why diamonds have led to civil conflict in a number of countries is because diamonds can be used by rebel groups to finance their war efforts and private income as was the case in the Sierra Leone civil war (Lujala, Gleditsch & Gilmore, 2005: 538-539). As shown by Acemoglu and Robinson, countries with extractive institutions are more likely to have a lower degree of state centralisation, thus creating an environment in which rebel groups are able to rise up – an environment made even more dangerous when resources are able to be taken for the funding of such groups and their conflicts. Moreover, it has been found that the majority of countries with diamonds have experienced conflict, the chance increasing ever more so when those diamonds are 'lootable' (Lujala, Gleditsch & Gilmore, 2005: 539). While the relation of resources and conflict is a whole other domain of resource curse study, there are certain factors which make the possibility of conflict far more likely such as the location and concentration of diamonds. Primary diamonds are found underground and require skills and machinery to mine which is why they are typically mined by large corporations with much of the revenue going to the government (Lujala, Gleditsch & Gilmore, 2005: 543). Alternatively, secondary diamonds are more easily discovered and can be extracted with hand tools such as shovels and sieves (Lujala, Gleditsch & Gilmore, 2005: 543). Primary diamonds are usually 'point' resources because they are found in particular areas in contrast to secondary diamonds which are normally 'diffuse' resources since they are scattered over areas opposed to being in one specific zone (Lujala, Gleditsch & Gilmore, 2005: 543). Primary diamonds are typically non-lootable diamonds as they are harder to extract and are therefore less likely to cause conflict, while secondary diamonds are lootable and therefore have a higher likelihood of falling into the wrong hands such as rebel groups which results in conflict (Lujala, Gleditsch & Gilmore, 2005: 559).

The location of resources (proximate or distant in relation to the country's centre) in conjunction with the concentration of diamonds (point or diffuse) also plays a role in the type of civil conflict which is likely to erupt should diamonds be at the centre of combat. According to Le Billon, point resources have a greater possibility of resulting in coup d'états and state control when they are in close proximity, but with secession attempts when resources are

distant (Le Billon, 2001). Alternatively, diffuse resources tend to cause riots and rebellion when in close proximity, and warlordism if distant (Le Billon, 2001). However, the level of ease with which resources can be looted must always be the first point of consideration as no conflict of any kind is likely to be experienced if diamonds are not easily lootable. By briefly analysing the various diamond characteristics which are likely to cause conflict, it is evident that Botswana is fortunate in comparison to many of its diamond mining counterparts because its diamonds are point, non-lootable resources which significantly minimises the chance of their diamonds to cause conflict which has arguably been a contributing factor to their largely peaceful society and escaping of the resource curse.

6.2.2.4 Further Advantageous Characteristics

Besides being blessed with diamonds of an auspicious nature, Botswana was fortunate in two additional respects – the one being inclusive institutions at the time of discovery and the other, good leadership which sought to benefit their society as a whole. By the time of independence, Botswana “had already started to build a relatively democratic polity” with efficient, inclusive institutions in place (Acemoglu, Johnson & Robinson, 2003: 104). One such institution firmly in place was that of private property rights which was further reinforced by the discovery of diamonds – as were the other institutions reinforced by this flow of revenue (Acemoglu, Johnson & Robinson, 2003: 104). In addition, due to the scope of the BDP’s coalition, revenue from diamonds were spread broadly with the extent of this revenue raising the “opportunity cost of undermining the good institutional path” in other words, no elite attempted to increase their rents at the cost of political upheaval (Acemoglu, Johnson & Robinson, 2003: 104).

The second aspect in which Botswana was fortunate was the excellent leadership they had in Seretse Khama. Were Seretse not to have altered subsoil mineral rights away from tribal lands to the government, it is highly probable that diamonds would have been a source of tribal conflict as some tribes would have benefited over others simply by luck (Acemoglu, Johnson & Robinson, 2003: 105). Not only could this have resulted in conflict, but it would have cemented ethnic and tribal lines which would have prevented Botswana from having a largely homogenous society. It is evident that aside from Botswana being fortunate enough to have large diamond deposits, it was also fortuitous in terms of the time of discovery, the nature of the diamonds, the inclusive and well-developed institutions which were already in place which helped to ensure the success of the diamonds and the good leadership of Seretse Khama who

recognised the importance of changing subsoil mineral rights in order for diamond revenue to flow through the state and therefore benefit all tribes. These factors combined proved especially vital to the overall success of diamonds in Botswana and subsequent escape of the resource curse.

6.2.2.5 Role of De Beers

In addition to the features specific to the diamonds themselves and conditions present in Botswana under which they were discovered, there is one external feature which proved critical to the country's diamond success and that is the association and involvement with De Beers. De Beers is a South African corporation which handles the selling of Botswana's diamonds, ensuring that they are sold at high prices (Jerven, 2010: 90). This coalition between De Beers and Botswana is believed to be the "most successful commodity buffer stock arrangement in the world" (Maipose & Matsheka, 2008: 530). Unlike the majority of resource-abundant African countries, Botswana did not nationalise their diamond mining operations, but opted instead to entrust the development and exploitation of diamond mines to De Beers which had far more experience in such matters than the Botswanan state. The agreement initially was not as favourable as it is now, as De Beers owned an 85% stake in Botswana's diamond mines in relation to the Botswana's 15% stake (Taylor & Mokhawa, 2003: 263). This was later changed to be far more favourable for Botswana, when in 1975, negotiations with the company resulted in them having a 50-50 share in the diamond mines, which not only meant that Botswana's government received more revenue, but that they also had more influence over diamonds (Taylor & Mokhawa, 2003: 263).

Interestingly, diamonds were not the only mineral mined in post-colonial Botswana, as copper and nickel were also among the government's mines in the 1960s. The largest of the non-diamond mining operations, labelled the Shashe Project was launched and overseen by the government and involved the mining of copper and nickel which unfortunately, proved unsuccessful and had a "record of disaster" (Jerven, 2010: 91). This was due to prices of nickel and copper being consistently low throughout that time period as well as a combination of development costs exceeding the budget and various managerial problems and technical issues which severely hindered the success of the mines (Jerven, 2010: 91). Given this outcome of Botswana's fully government owned and controlled mines, it can be questioned whether

Botswana's diamonds would have been so effectively mined and produced if it too was controlled solely by the government and were it not for De Beers.

At its core, De Beers is an African company. It was established in South Africa, born of the diamonds fields in the late 19th century and throughout the last 132 years, have maintained the majority of their operations in Africa, with only two of its operations being international (Oppenheimer, 2008: 211). Former chairman of De Beers, Nicky Oppenheimer, claims that responsible mining companies are aware of the fact that in order for their corporations to prosper, it is essential that the countries in which they function have long-term stability (Oppenheimer, 2008: 212). In order for this to be achieved, mining companies are required to contribute to economic and community development as this should guarantee that country's stability as well as allow that company prolonged access to their mines (Oppenheimer, 2008: 212). According to Ernest Oppenheimer, chairman of De Beers from 1926, it was important for any company with which he was involved to make money, but that money needed to be made in a "manner which would make a permanent contribution" to the country within which it operated (Oppenheimer, 2008: 212). This is arguably how De Beers operated in Botswana.

Furthermore, De Beers insisted that mining companies assume a role beyond that of monetary contributor. Its chairman, Ernest Oppenheimer claims that good governance alone is insufficient as protection for their investment, but rather that in order for an investment to be entirely secure, the investor "must become a partner with the host government in driving development, both on the macro scale through tax and royalty revenues, and at the micro level through positive engagement with the needs of the community" (Oppenheimer, 2008: 212). The idea behind this is that companies will ultimately benefit from the countries within which they operate, having improved infrastructure and good governance and that in turn, that good governance will have positive long-lasting effects on resources which will benefit both the government and the mining company. De Beers has put this into practice and in conjunction with its partner companies in various African countries, contributes on average 4.6 billion Dollars to their economies each year (Oppenheimer, 2008: 213).

De Beers' approach to Botswana was no different. De Beers became a vital partner to the Botswanan government, forming a successful coalition known as the De Beers Botswana Mining Company, Debswana for short which oversaw the mining and management of diamond sales, sharing diamond revenue with Botswana which contributed to development programmes

and sustainable investment (Sebudubudu & Botlhomilwe, 2011: 38). Essentially, Botswana's partnership with De Beers was entered into out of necessity due to the country's lack of knowledge and experience with the exploitation of diamonds (Sebudubudu & Botlhomilwe, 2011: 38-39). This partnership which was contracted shortly after independence, marked the beginning of the country's policy of being open to private investment – an approach which was more business-friendly than many other sub-Saharan economies at the time, yet has continued to aid the country (Sebudubudu & Botlhomilwe, 2011: 39). This decision to partner with De Beers is widely recognised as “one of the wise decisions the country's founding leaders took” (Meyns, 2010: 49). This partnership was further made necessary by the nature of the diamonds as they were deep underground and not easily accessible, which is where De Beers' expertise proved essential (Sebudubudu & Botlhomilwe, 2011: 39). Ultimately, this partnership was particularly favourable for the Botswanan government, as De Beers carried out the work of mining and managing the sales of the diamonds, while Botswana received the revenue for them – revenue which was substantially increased in the mid-1970s as the government's stake in Debswana was reevaluated to 50%, with the government effectively receiving 75% of the profits from mining through the taxation, dividends and royalties earned (Sebudubudu & Botlhomilwe, 2011: 39). From this, it is evident that the involvement of De Beers was positive for diamond mining and profits and that in conjunction with the characteristics of the diamond sector as a whole, the sector was nothing but fruitful. While this appears to be the case, it is also important to acknowledge the negative impacts of such a sector.

6.2.2.6 Negative Impacts of Diamonds

While the impact of the effective mining, production and sales of diamonds have had largely beneficial impacts for Botswana, there are some negative aspects of a diamond-based economy which should be acknowledged. The first is related to the Dutch Disease and centres on the potential problem of not having a diversified economy due to an abundance of resources. This has been the case in Botswana, as the mining of diamonds has overtaken the economy and all other sectors such as manufacturing and agriculture and has also meant that their economy has not broadened or diversified in any significant manner (Taylor & Mokhawa, 2003: 263). An undiversified economy with a predominant focus on the diamond industry is somewhat problematic for Botswana as it has resulted in alarming unemployment levels. This is due to the fact that the diamond industry is capital-intensive and employs relatively few people (Taylor & Mokhawa, 2003: 263). The largest industry employing the fewest number of people

has thus contributed to the high unemployment rate, rising income inequality and overall poverty which characterises much of Botswana's population.

In addition, due to diamond mining consisting of so large a portion of the economy, any threat to the sector is highly dangerous. An example of this is seen through the blood diamond dilemma which took place in the 1990s which saw many international companies threatening to cease trade with African diamond miners on the basis of their diamonds being 'unclean' or illegally traded from conflict-torn countries (Taylor & Mokhawa, 2003: 264). Conflict diamonds all originated from Africa - Sierra Leone, Liberia, Angola and the Democratic Republic of Congo to be precise – which posed a potential threat to the reputation of Botswana's diamonds, forcing Botswana to launch campaigns to persuade the public that their diamonds were in fact legitimate and 'clean', such as Diamonds for Development which sought to emphasise the positive impact of diamonds on the country (Taylor & Mokhawa, 2003: 264). Lastly, the problem with diamond mining is that it is potentially volatile. The sale of diamonds is subject to exchange rates and international diamond prices which are unfortunately both highly unpredictable and can have significant impacts on resource rents (Iimi, 2007: 691). This can be seen by the 28% change in mineral revenue between 1988 and 2003 which resulted from varying exchange rates and the 21% change in diamond revenue in that same period, courtesy of changes in international diamond prices (Iimi, 2007: 691). It is therefore evident that while diamond mining can have enormous financial and economic benefits for a country, there are also negative aspects which characterise a reliance on this industry. In the case of Botswana, the positives outweigh the negatives as not only is diamond mining, its dominant economic sector, it is also its only significant economic sector due to its small agricultural industry which would not be easy to expand due to unfavourable land conditions.

Were it not for the above explored features of Botswana's diamond industry and conditions surrounding its discovery, it is questionable whether the country would have been as economically successful or as successful in its escaping of the resource curse. This sentiment is echoed by a number of scholars as they provide sound reasoning for why they doubt Botswana would have been prosperous were it not for diamonds. Jerven argues that the instability of Botswana's agricultural and manufacturing sector as well as their somewhat disaster-stricken copper and nickel mining operations suggest that a "dependable flow of revenue" and therefore stable economy, would not have been likely were it not for diamonds (Jerven, 2010: 93). He even goes so far as to propose that Botswana's leaders could easily have

fallen into the same trap which consumed many of Africa's elites in the 1980s and 1990s in which scarce resources and unstable, diminished government revenues drove elites to corrupt and destructive rent-seeking measures (Jerven, 2010: 93). As has been shown by Acemoglu and Robinson, such measures are far more likely to occur in countries with extractive institutions. That Botswana's elites did not turn to such practices and that the economy remained stable is testament to Botswana's institutional qualities and emergence of a central authority. Essentially, the country's success and escape of the resource curse comes down to its institutional development in conjunction with the auspicious features of their diamonds, conditions of discovery as well as the successful partnership with De Beers and effective leadership by its post-colonial leaders. The section will now consider the impact of diamonds on creative destruction.

6.2.2.7 Diamonds and Creative Destruction

This section seeks to highlight the positive outcomes of diamonds in Botswana which serves to indicate that the resource curse was avoided and that the state was strengthened by the discovery of such diamonds. Subsequently, the section will emphasise the link between diamond revenue and creative destruction ahead of the following section which concerns Botswana's management of diamond revenue and the creative destruction to various sectors with which it brought.

The indicators that Botswana has not suffered a resource curse are the income and GDP growth levels outlined previously as well as the infrastructure and development which has occurred from diamond revenue. Diamond revenue has for the most part, served to increase economic and social development as well as attempt to diversify the economy – all of which will now be evaluated.

The impact of diamond revenue on infrastructure has been monumental. Largely due to the fact that diamond revenue accounted for 80% of Botswana's exports in the last quarter of the twentieth century, the government has thus been able to finance significant infrastructural development (Botswana, a Dazzling Trajectory, 2019).

One such development is in the education of children – particularly those at a primary school level. By the early 1990s, 90% of children in Botswana of primary school age and 30% of

children of secondary school age were enrolled in an educational institution courtesy of the government (Botswana Out of the Desert, 1993: 158). In addition to educational facilities, revenue from diamonds also went to funding further infrastructure for public facilities such as water and health care. This is reflected by 80% of rural villagers having “access to potable water” and 85% of people being within 15km of a health care facility (Botswana Out of the Desert, 1993: 158). In fact, diamond revenue had such an impact on infrastructural development that Mogae enjoys reminding people that “at independence we [Botswana] had three kilometers of tarred roads” but now the country has over 3 000 kilometers of tarred road (Botswana Out of the Desert, 1993: 158). These statistics are a real triumph for Botswana after only two decades of diamond revenue and demonstrate the positive impact of such revenue on a multitude of sectors in the economy.

The appeal of a stable democratic environment also attracted foreign investment. Botswana’s Trade and Industry Promotion Industry (TIPA), pushed the country to establish offices in European countries such as Belgium, Sweden and the United Kingdom as well as the United States and Hong Kong in order to attract foreign investment (Botswana Out of the Desert, 1993: 159). TIPA, which in 1998 was replaced by the Botswana Export Development and Investment Authority (BEDIA), focused on securing Foreign Direct Investment (FDI) and by 2004 had attracted 20 foreign companies to locate to Botswana, creating further employment opportunities (Ajayi, 2006: 60). It is safe to say that without the economically favourable environment created by diamond revenue and the peaceful political climate within which Botswana’s diamond industry exists, it is unlikely that the country would have received investment of this nature. This again, demonstrates the positive impact of diamonds on Botswana and the effective manner in which they were handled.

In addition, diamond revenue has been used by the government to set up foundations to incentivise local investment. The Financial Assistance Policy (FAP), funded by foreign exchange reserves from diamond income gave direct financial aid to new and existing businesses, with a focus on enterprises in the manufacturing sector that were labour intensive to encourage employment (Sebudubudu, 2005: 86). Such investment is incentivised by offering various packages. One such package is the Automatic FAP which permits businesses who invest in certain sectors to receive a five-year tax holiday as well as reimbursement of wages provided to unskilled workers and certain costs of training them (Botswana Out of the Desert, 1993: 159). An alternate package, “Case-by-Case FAP”, allows businesses grants for capital

equipment upfront and reimburses select training costs in addition to providing grants to “augment sales and pay for substantial portions of unskilled labour wages” (Botswana Out of the Desert, 1993: 159). These policies have not only resulted in further economic development but have also served to address the high unemployment rate, providing jobs for citizens and training for unskilled labour, thereby improving their skills and ability to find a job after the construction is finished, but with higher earning potential. The majority of the funding for programmes such as these is derived from diamond revenue which indicates that without this revenue, development and employment creation on this level could not have taken place.

In the same way that diamond revenue was used to incentivise investment and economic development in Botswana, so too was it used in attempts to diversify the economy. The Botswana Development Corporation (BDC) is a significant supporter of local development – creating over 12 500 jobs by the early 1990s and is an ardent believer in the importance of diversifying Botswana’s economy out of diamonds due to them being only a small portion of the domestic market (Botswana Out of the Desert, 1993: 160). Instead, the director of the BDC insists that the corporation adopt a focus on exports such as processing leather-ware from cattle, advancing the jewelry manufacturing sector to include diamond cutting, glassware from soda-ash as well as meat processing and the selling of abattoir by-products and cotton production (Botswana Out of the Desert, 1993: 161). Botswana has also attempted to diversify their economy by beginning mining exploration for alternate minerals as well as through the promotion of tourism attractions such as game reserves and national parks – the most prominent attraction being the Okavango Delta – which has provided much employment contributed significantly to economic development. Indeed, in a 10-year period from 1989 to 1998, international tourists in the Okavango Delta increased by 45.7%, resulting in a 101.4% spike in revenue, amounting to 445 billion US Dollars in 1998 (Mbaiwa, 2003: 449). While the economy is not as economically diverse as many leaders would like it to be, substantial efforts have been made to broaden it.

Interestingly, Botswana is not alone in their attempts to invest diamond revenue into their economy. De Beers through Debswana has contributed to social investment in the country through donations as well as in social issues such as HIV/AIDS (Gapa, 2016: 63). The main area in which De Beers contributes is to education facilities and junior schools, in particular, as they feel that education opportunities is one of the most important for national development and that the burden of training Botswana’s youth should “be shared by all prospective

beneficiaries” (Botswana Out of the Desert, 1993: 160). In addition to De Beers’ Donation Fund contributing to social investment in the country, they also contribute by way of their employment and training policies. The company is the largest employer of Botswanan citizens outside of the government, with 73.8% of employees in key roles and management positions being local citizens (De Beers, 2009: 46). Through this social investment, it is evident that revenue from diamonds has had such a positive effect that not only has it resulted in the government establishing programmes to use the income for development and social investment, but the money has also enabled an outside company, De Beers to do the same. Such is the advantageous impact of diamond revenue.

From the above evaluation of the impact of diamond revenue on Botswana, it is clear that diamonds have had a positive overall impact on the country as seen by its investment in infrastructure, social and economic development. Not only has diamond revenue served to advance society through targeting access to education, water sources and healthcare facilities but it has also enabled an advancement in the manufacturing sector, attraction of foreign investment and attempts to diversify the economy. Few negative impacts of diamond stand against these beneficial outcomes of diamond revenue in Botswana, indicating that Botswana has indeed, escaped all symptoms of the resource curse. However, while it is safe to say that Botswana avoided the resource curse, the same cannot be said for the creative destruction which diamond revenue brings.

Creative destruction is the upheaval to a sector caused by a significant change such as innovation or in Botswana’s case, the discovery of diamonds. Importantly, this upheaval is not necessarily negative, but depends on the manner in which the change was managed. In Botswana, the discovery of diamonds and income from such diamonds was handled very well and thus the changes diamond revenue brought had positive social and economic impacts for development as evidenced above. The following section will delve deeper into other forms of creative destruction brought about by diamond revenue and outline how it has been managed. However, this section has shown that Botswana has certainly not experienced a resource curse and that through the social and economic development which took place due to the presence of diamond revenue, the strength of the state has been enhanced.

6.3 Management of Diamond Revenue and Creative Destruction

Due to the emergence of a central authority at independence and inclusive institutions which had long been entrenched, the BDP was able to successfully manage the creative destruction arising from the discovery of diamonds as well as the disruptions diamond revenue caused in the development of alternate industries in Botswana. This meant that because creative destruction was handled with efficacy, the outcome of innovations, investments and upheavals had a positive, rather than a negative effect which ultimately served to strengthen the state. This section will begin with an evaluation of how Botswana, due to being historically coherent, has not been reluctant to accept and adapt to changing innovation and creative destruction even throughout the pre-colonial period. Subsequently, the section will analyse the way in which Botswana has handled modern creative destruction in further detail. Modern creative destruction being changes and innovation after independence, with a focus on the decades closer to 2000. Thereafter the section will consider the significance of accepting such creative destruction, especially in what this means for the BDP in terms of their hold on power. Finally, the section will explore the impact of inclusive institutions on creative destruction, demonstrating that it is because of inclusive institutions that creative destruction has been managed so effectively. The section will thereby conclude that while the country is not without challenges and leadership in recent times becoming more authoritarian in nature, the future positive acceptance of creative destruction cannot be guaranteed. Despite this possibility, it must be acknowledged that through its centralisation and inclusive institutions, Botswana is largely successful, has avoided the resource curse and has benefited from diamond revenue, development and creative destruction which has further strengthened the state.

6.3.1 Creative Destruction in Pre-Colonial Botswana

Botswana has long been accepting of change and in pursuit of economic development and modernisation. This section will consider the manner in which Botswana has managed creative destruction in the pre-colonial period which is from the time the Tswana migrated to what is considered Botswana today in the early 1800s until the time of colonisation in the 1880s. As early as 1805, Tswana chiefs have recognised the merit of external, European interpolation in the form of trade. Indeed, instead of remaining an insular tribe, shutting out outside contact and influence, the Tswana engaged and in fact, encouraged international trade, selling ostrich

feathers and ivory as a source of income and means to acquire weapons in the form of guns (Seidler, 2010: 8).

While international trade is commonly viewed as a positive economic prospect and manner in which countries accumulate wealth, trade can double as a form of creative destruction, taking business away from local agents and introducing a secondary power into the economic system. This can be seen by the Ming and Qing dynasties forbidding international trade in the mid to late 17th century as the government feared trade would spur technological innovation, enrich merchants and politically destabilise the nation, jeopardising their hold on power (Acemoglu & Robinson, 2012: 250-251). This later proved disadvantageous for these dynasties as their economies shrank and weakened their countries, however, it did prolong and tighten the leaders' grip on power – much to the detriment of society (Acemoglu & Robinson, 2012: 251). Therefore, by Botswana inviting international trade and contact with Europeans, leaders were able to cultivate economic growth and development despite it being at the expense of a small degree of creative destruction. Indeed, Botswana has seemingly viewed creative destruction as a small price to pay for modernisation as evidenced by their pursuits from the early 19th century. King Khama III, grandfather of Seretse Khama and leader of the largest Tswana tribe, the Bamangwato, sought to implement institutional changes which would modernise the tribe's political and economic institutions (Acemoglu & Robinson, 2012: 132). The functional, modern institutions of Botswana in the present-day can be ascribed to the efforts of Khama III to improve and modernise his tribes' pre-colonial institutions which serves as testament to the benefits of development and creative destruction. Khama too, accepted and encouraged further change by converting to Christianity. Missionaries followed early European traders in the beginning of the 19th century, with the London Missionary Society embarking on a very successful mission in 1817 (Seidler, 2010: 10). Although traditional beliefs remained intact, many tribesmen, including prominent tribal figures such as Khama and Chief Lentswe adopted the Christian religion; particularly for the sake of increasing trade prospects and improved relations with European officials through healthy relationships through Christian missionaries (Seidler, 2010: 10). While figures such as Khama may have adopted Christianity as a result of genuine belief, the evidence suggests that it was a more a means of securing trade and beneficial political relations, indicating that the reception and acceptance of change – or in this case, an alternative belief – while overruling the current religious tradition (to an extent), can have beneficial impacts for other sectors in society and that by embracing change instead of rejecting it, the whole society may be advantaged.

6.3.2 Creative Destruction in the Colonial Period

The keenness of the Tswana to trade, to modernise and even to adopt an alternate religion in order to improve trading prospects and benefit society demonstrates how well change and societal and economic upheaval was accepted and handled in the pre-colonial period. This attitude too, extended into the colonial period, however, it must be acknowledged that many changes in this period were initially forced due to British rule. However, due to an embedded attitude of acceptance of creative destruction and pursuit of modernisation, these changes were accepted relatively peacefully.

Colonisation brought with it various adjustments and structural modifications to which the Bechuanaland leaders and protectorate as a whole, responded largely positively. This creative destruction came in the form of infrastructure, tax systems, technological innovation of agriculture, education, increased urbanisation and the adoption of modern currency which has overall developed Botswana's economy and society and despite disrupting certain elements of pre-colonial Tswana society, ultimately aided its growth and development.

Tswana chiefs supported the expansion of railways in Bechuanaland by the British as they believed it would supplement the expansion of trade and mobility throughout the protectorate (Acemoglu & Robinson, 2012: 449). While chiefs were skeptical of such railway construction to a small degree, this uncertainty came not from the fear of creative destruction of which the tsars and Russian officials were frightened, but rather from a sense of apprehension that railways would be purely under the control of the British and not the chiefs themselves (Acemoglu & Robinson, 2012: 449). However, despite this fear, the Tswana chiefs conceded the railway construction which has continued to bring benefit throughout the colonial and post-colonial period. Similarly, chiefs too accepted the British's introduction of a tax system of a "hut" and later, a "native" tax (Seidler, 2010: 17). It must be noted, that chiefs were recipients of 10% of tax collections as their portion of commission, however, despite this benefit, taxes did go into the improving of infrastructure and indeed, alteration of Tswana institutions (Good, 1999: 188). Chiefs could have resisted this introduction of taxation, however, the advancement in infrastructure and transformation of institutions which this taxation income afforded the protectorate, was essentially advantageous for the chiefs and the tribesmen and so chiefs chose not to resist such creative destruction.

Furthermore, chiefs chose not to resist the introduction of technological development in the form of boreholes and wells, but rather to welcome their implementation despite the disruption they brought to traditional agriculture and communal ownership. While wells were in existence prior to the colonial period, it is in the colonial period when the scale of cattle farming or the ‘beefocracy’ really began to accelerate and with it, came the need to invest further in water provision for herds and cattle, spurring the technological advancement of boreholes (Seidler, 2010: 19). These newly established wells and boreholes were owned privately as it allowed for them to be better cared for and more regularly serviced than if they were under government control, however, this came at the expense of the general tribesmen as only the wealthy were able to invest in such technology and thereby, receive the greatest advantage (Good, 1999: 188). Government could have resisted such technological advancement and with it, an altering of the cattle herding profession, yet they allowed such change to take place, which was ultimately to society’s benefit as more cattle farmers were able to get easier access to water for their herd, thus aiding growth in the cattle industry and greater economy.

Botswana chiefs’ support of technological advancement can also be seen through their acceptance of missionary schools and education for all Tswana. Chiefs believed education was “a tool to modernise and to adopt new technologies” because missionary schools inside and outside of Bechuanaland, which many Tswana attended, were institutions promoting European interests which would aid Tswana in being internationally competitive and encourage entrepreneurship (Seidler, 2010: 20).

A fear of creative destruction and innovation would have inhibited the Tswana chiefs from allowing such education and European intervention or at least, attempts to suppress schooling and such education, however, it is because chiefs chose not to resist such destruction and not to impose only insular teachings, that the country and many Tswana tribesmen were able to benefit from their education, contributing to the nation’s economy. A clear example can be seen through the number of entrepreneurs these missionary schools produced, one of which being Quett Masire, Botswana’s second president, who after becoming a school teacher, decided to apply his knowledge of modern dryland farming techniques in the 1950s which resulted in him becoming the largest African producer of grain in the protectorate (Lewis, 2006: 8).

In the same way that Tswana chiefs did not resist schooling, so too, did they not oppose further urbanisation brought on by the actions of the Europeans. As this thesis has addressed, Tswana tribes have been urbanised to an unusual degree since the pre-colonisation period and that through taxes and education introduced by British rule, tribesmen have had to migrate to find work to pay such taxes and a number of missionary schools lie outside of the protectorate which has resulted in the cyclical migration of many young Tswana as well which has altered the traditional household-based Tswana convention. Despite not being familiar with this new way of life, implemented by the various policies and structures created by the British, chiefs neither feared nor challenged the social upheaval which is caused. Perhaps this was due to the innate belief of chiefs that these alterations were fundamentally to the advantage and development of society and the economy.

Another innovation which became widely accepted and proved economically progressive was the adoption of cash as a currency. Instead of using only cattle in exchange for goods and services, once the British introduced cash in the form of the Pound; cash and cattle could be used in all financial exchanges (Seidler, 2010: 21). In addition to the introduction of cash, the British also set up trading stores, thus creating a market for basic goods which in turn, inspired the establishment of small labour markets and business ventures by local Tswana in the urbanised areas (Schapera, 1936: 230). Again, it is evident that by being accepting of change and in this case, economic progress, Bechuanaland was able to experience far more economic growth and development than it would have been able to achieve, were the chiefs fearful and resistant to this creative destruction.

In the pre-colonial and colonial periods, it is evident that Botswana has accepted and indeed, effectively managed the creative destruction which has arisen from changes and advancements throughout the periods. Indeed, they have refused to let creative destruction hold the society and economy back from modernisation and have as a result experienced economic growth and development. The reason for this successful management can be attributed to chiefs having a significant enough degree of state centralisation as not to feel threatened by the possibility of such destruction as well as inclusive institutions which have aided leaders in accepting such change and allowing modernisation and advancement to be accessed by all in society which has not only strengthened the state, but also led to growth and development to the benefit of all of Botswana's people.

As this thesis has observed, much of Botswana's post-colonial success can be credited to its pre-colonial Tswana structures and tendencies and thereby, the continuation of such structures into its independence. In the same way that pre-colonial and colonial Tswana leaders have accepted and effectively managed creative destruction, so too have Botswana's independent leaders accepted, encouraged and handled it in a similar manner. The following section will analyse in greater detail the manner in which creative destruction has been managed in the post-colonial period, with a particular emphasis on ICT (Information and Communications Technology), innovation and knowledge patents and SMEs (Small and Medium-sized Enterprises).

6.3.3 How Has Botswana Managed Creative Destruction Since Independence?

This section will analyse the manner in which creative destruction was handled in post-colonial Botswana in regard to three primary areas – information and communications technology (ICT), innovation and knowledge production and small and medium-sized enterprises (SMEs). The reason for these three sectors being evaluated is because they are more modern in nature, unlike other sectors which have been present in earlier periods such as agriculture and beef and are thereby less likely to cause as significant a disruption since they have been developing constantly over time. Therefore, by considering these three more recent sectors which are likely to cause the most amount of societal and economic upheaval in more detail, the analysis provides a greater indication of how Botswana has dealt with post-independent creative destruction. The section begins with a brief consideration of the major changes to political and economic institutions at independence, which could have caused disruption, but didn't due in combination to the already inclusive institutions and the BDP emerging as a centralised enough entity at independence as not to cause outburst or disruption in response to such changes. Thereafter the ICT, innovation and SMEs sectors will be evaluated, concluding that creative destruction in those areas was handled effectively and disruptions were minor due to the degree of central authority held by the BDP.

First and foremost, at independence, leaders made a conscious decision to install and evolve current political and economic institutions into modern state institutions. Leaders spared no time for this institutional transformation as it was undertaken immediately with the transition to 'modern' institutions being achieved within a short 20 years (Seidler, 2010: 23). The transformation focused primarily on the Tswana capitals and sought to modernise the informal

institutions in particular, while continuing to use Tswana roots as a basis for these modern, more formalised institutions (Seidler, 2010: 23). While many countries resist modernisation for the fear of the unknown that it may bring with it, Botswana welcomed the prospect of modernisation despite the changes and disruption it brought to colonial period institutions and individual positions. A clear example of which can be seen in the establishing of Acts and government bodies such as the Chieftaincy Act of 1965 or the Tribal Land Act of 1968 which saw the power of chiefs diminish and newly founded land board take charge of land allocation and related concerns (Acemoglu & Robinson, 2012: 453). Surprisingly Tswana chiefs appeared supportive of these changes and relinquished the majority of their power with little objection or frustration as they maintained hold over certain of their prior duties and power such as residing over the customary courts (Seidler, 2010: 26). Little opposition and a smooth institutional transition indicate no fear of modernisation nor creative destruction.

In the same way that there was little opposition for the transformation of political institutions, so too, was there little resistance for the transformation of economic institutions. One such example can be seen through the marketing boards for cattle established by the newly elected BDP. The majority of marketing boards in African countries were set up by colonisers for the purpose of extracting wealth from resources within the country and were unfortunately particularly extractive in nature, much to the detriment of the African colony and its people as evidenced by Sierra Leone, who's leader Siaka Stevens chose to keep marketing boards extractive; only this time, he and his cronies were the benefactors rather than the British – a sad reality which was present in many post-colonial African countries (Acemoglu & Robinson, 2012: 379). However, as with most aspects in Botswana, the marketing boards were set up to a far more positive end.

Firstly, these boards were set up by Botswana's post-colonial leaders and not by their colonial power and secondly, they served to aid the industry they controlled. The Botswana Meat Commission was set up by the BDP in 1967 and indeed, played a role in aiding cattle owners and ranchers; helping to develop the cattle economy, stimulating exports and undertaking measures in disease prevention which served to promote the cattle industry and the significant economic growth and development which occurred as a result as well as increase support for inclusive economic institutions in Botswana (Acemoglu & Robinson, 2012: 452). While many leaders have feared economic development and the potential change it can bring, by being

accepting and encouraging of such development, the country has benefited by the economic growth such a sector was able to produce.

6.3.3.1 Creative Destruction and ICT

Not only have leaders made concessions for advancement and modernisation at the start of their post-colonial reign, they have maintained this support for continued technological advancement throughout the latter part of the 20th century until now. In 1996, the Telecoms Act came to fruition and sought “better costs, quality and service variety” and opened up an environment for private cellular companies to compete which not only provided citizens with access to cellular telephones, but also allowed them options and competitive pricing (Patterson, 2001: 291). In addition, the government has established two agencies which are concerned with technological advancement and implementation of technological innovation within the country – the Government Computer Board (GCB) and the Botswana Telecommunications Corporation (BTC) (Patterson, 2001: 290). Through these organisations, the BDP has built a country-wide network and fiber optic system which is of an international standard that challenges that of any other country and one which is superior in comparison to many African countries (Patterson, 2001: 291). Moving on from the steps taken toward technological advancement in the early 2000s, it is important to note that Botswana has continued to emphasise and invest in the ICT sector. A reason for this emphasis is that Botswana views ICT as a crucial element of globalisation and therefore linked its ICT policy to their “broader economic vision and overall national strategy, named ‘Vision 2016’” (Uzoka & Ndzingi, 2009: 1551). This strategy aims to place Botswana in a position above the rest of African countries due to its emphasis on ITC, through which it hoped to become a “regional powerhouse” in the ITC sector (Uzoka & Ndzingi, 2009: 1551). Part of this strategy is the education of all those in schools (both teachers and students) and the majority of those in the workplace to be equipped with technological skills enabling them to use computers and current technological programmes (Uzoka & Ndzingi, 2009: 1551). It must also be acknowledged that not only is investment in ICT a means of diversifying Botswana’s extremely diamond-dependent economy, but technological innovation and ICT investment are vital ways of achieving greater efficiency for businesses, further integration of local economies into the world economy and also improvement in public service provision (Lane et al., 2004). In addition, the government introduced a national Information and Communication Technology policy as well as an e-government initiative which aimed to make services more openly available for citizens and

which government officials hoped would spark the private sector and the public to incorporate ICT more fully (Uzoka & Ndzingi, 2009: 1551). The Botswanan government has made further efforts to encourage the adoption of ICT by decreasing the cost of communication in the country and through liberalising the telecommunications industry in order to create more competition which resulted in competitive pricing and lower tariffs (Uzoka & Ndzingi, 2009: 1551). Again, it is evident that rather than fear the potential changes that technological innovation bring, Botswana has embraced and indeed encouraged them and in doing so, has achieved technological status equal to countries on a global standard.

6.3.3.2 Creative Destruction and Innovation

In addition to technological innovation, Botswana has also reached a remarkable level of multifaceted innovation. An African study on the impact of government effectiveness and regulatory quality as two of the institutional factors which have the most significant effect on innovation finds that due to the strong, effective nature of institutions, Botswana's level of innovation is higher in comparison to the majority of other African countries (Oluwatobi, Efobi, Olurinola & Alege, 2014: 390). To clarify, innovation in this study is in regard to the creation of knowledge in any sector which in turn, is likely to serve as the impetus for economic growth and advancements in sectors such as commerce, transportation, education and telecommunications to name a few – sectors which will further enhance development and economic growth (Oluwatobi et al., 2014: 390). Innovation is quintessentially important, especially for African countries as it has been found to contribute to 85% of economic growth in addition to “augment[ing] the state of human capital development in Africa” (Oluwatobi et al., 2014: 391). Using the number of technical and scientific journal articles which were published by 2009 as a statistical basis, Africa appeared to lag behind the rest of the world, producing only 0.64% of the world's journal articles; a score which is extremely disappointing, especially when compared with Europe's 36.84% (Oluwatobi et al., 2014: 391).

Despite poor statistics, it must be acknowledged that Botswana accounts for a significant portion of the innovation in Africa – producing 51 journals of a scientific nature per year and ranking 14th in this category in spite of its small population (Oluwatobi et al., 2014: 401). It has been argued that this high rating and by African standards and significant number of published journals, can be attributed to its low rate of corruption. The study concludes that the lower the rate of corruption or the higher the ability of the country to suppress corruption, the

more positive the impact on innovation within that country (Oluwatobi et al., 2014: 406). With this in mind, it must be noted that Botswana proved the least corrupt of the African countries reviewed in this study and had a high institutional rating, regulatory quality ranking and political stability rating which indeed, rank among the highest of the African countries and additionally, a high rate of government effectiveness which is third among African countries (Oluwatobi et al., 2014: 401). It is these factors which stand Botswana in good stead as a significant producer of scientific and technical knowledge innovation in Africa.

Botswana also has an average of fifteen to thirty patents registered each year according to the Registrar of Companies in Botswana along with a multitude of intellectual property professionals in the form advisors, licensors and lawyers (De Beer, Armstrong, Oguamanam & Schonwetter, 2014: 344-345). That so many intellectual property professionals exist, and patents continue to be registered every year suggest that intellectual property plays an important role in Botswanan business and overall economy. Botswanan leaders too, are aware of the critical role of intellectual property, taking steps since the 1970s to improve its general intellectual property (IP) framework as well as improving infrastructure necessary to foster IP development and undertaking objectives such as “Botswana’s Vision 2016” and an integration between the University of Botswana (UB), parastatals and the Ministry of Infrastructure, Science and Technology (MIST) (De Beer et al., 2014: 345). Undertaking objectives such as these is evident of the emphasis Botswana places on the furthering of publically funded research and the need to continue improving and encouraging such research.

The value of publically funded research can be measured both socially and economically and has a multitude of benefits. According to a study, the greatest benefit, in the opinion of the respondents, is the increase in information which is made available to companies which increases and improves their knowledge, followed by an increase in the number of trained graduates and researchers, subsequent to an improvement in scientific knowledge and capability of problem solving as well as enhanced social knowledge and increased scientific equipment and methodologies, development of networks and social interaction, better quality of life and living standards to name but a few (De Beer et al., 2014: 362). From this it is clear, that a myriad of benefits can be secured from an increase in publically funded research and while 66% of participants in this study felt, that Botswana does not implement policies which infringe upon such research, there is more that can be done to stimulate this research (De Beer et al., 2014: 364-366). Botswana’s support for both technical and scientific knowledge

innovation and intellectual property as well the initiatives it has embarked on, indicate that instead of fearing the potential creative destruction which can arise from such innovation, Botswana has encouraged it and in turn, benefitted from the knowledge it has cultivated.

6.3.3.3 Creative Destruction and Small and Medium-Sized Enterprises (SMEs)

As this thesis has shown, countries and leaders who fear creative destruction are opposed to the development of private enterprises as they do not control them which often leads to countries restricting business to the point at which it leads to a shrinking of the country's economy. However, this cannot be said for Botswana as it has taken active steps in the promotion and development of SMEs within the country.

According to the OECD, a SME is commonly characterised as a business enterprise which has up to 250 employees (OECD, 2018). SMEs can be broken down further into small enterprises which have 10-49 employees, medium enterprises which have 50-249 employees and micro-enterprises which consist of 1-9 employees (OECD, 2018). However, the definition differs depending on each individual country, although it is typically measured by either or a combination of the number of people employed, the annual turnover or the value of the enterprise's fixed assets (Mutula & van Brakel, 2006: 403). SMEs have become increasingly important in recent years and particularly for smaller, more informal economies such as in Africa, with SMEs regarded as diversifiers of economies through creating further employment (Machacha, 2002: 277).

In African countries, governments and big companies dominate the economy, yet it is the SMEs which are the "real engine[s] of economic growth" (Mutula & van Brakel, 2006: 403). This is because the informal sector is so large due to a shortage of jobs in the formal sector with the informal sector employing an alarming three to six times the number of employees compared to the formal sector (Mutula & van Brakel, 2006: 403). Honing in on Botswana, the government has identified the importance of SMEs within the economy and have come to emphasise the importance of such enterprises, particularly with regard to their impact on social and economic development (Mutula & van Brakel, 2006: 403). Subsequently in the early 2000s, Botswana began providing financial aid to SMEs in order to help sustain these enterprises as well as stimulate and encourage the establishment of further SMEs which would lead to additional economic growth and development (Machacha, 2002: 277). Moreover, further investment into

SMEs was also part of an effort of the Botswanan government to diversify its economy in order for it not to be so heavily invested in diamond mining as the only industry for economic development in the long run (Mutula & van Brakel, 2006: 403).

A study on SMEs in Botswana in the early 2000s, found that small SMEs lacked an adequate standard of ICT and information management policies which was attributed predominantly to a shortage of skills, a lack of e-commerce infrastructure and high expense of internet access and connectivity (Moodley, 2001: 96). Alternatively, the medium sized businesses were far better able to incorporate ICT into their businesses, using all types of ICT from Microsoft Office to internet and websites (Mutula & van Brakel, 2006: 409-410). Despite integrating ICT into their enterprises to a far greater extent than small enterprises in Botswana, the medium SMEs still struggled to compete with SMEs from developed countries in international markets (Mutula & van Brakel, 2006: 410). This was due in part to a lack of e-commerce infrastructure within the country as well as a lack of employees with the necessary skills to maintain and create interactive websites for the enterprises (Mutula & van Brakel, 2006: 409-410). Although Botswana's medium sized enterprises struggled to compete on a global scale, they remained competitive on an African level and continued to incorporate ICT to the best of their ability which stood them in good stead going forth from the early 2000s. That Botswana has not only encouraged SMEs, but also provided financial aid in order for them to expand and increase economic growth and development is evidence that Botswana is supportive of private enterprises and the innovation derived from them, which further indicates that its leaders are not resistant to innovation and change nor the prospect of creative destruction.

It is evident through Botswana's encouragement and efforts to develop the ICT, innovation and SME sectors that it has continued to view modernisation as important in spite of potential disruptions such development can bring. While modernisation and the positive handling of creative destruction has long been accepted in Botswana, perhaps the predominant reason for the BDP's promotion and management of creative destruction is due to their innate sense of authority. Having won by initially a vast majority and later, by a lesser majority as well as the circumstances under which the BDP arose at independence – an entrenched central authority of tribe leaders which transferred to Khama at independence – the BDP have felt secure in their power and are therefore not threatened by the prospect of creative destruction which is why they have encouraged it. The following section will outline the significance of creative

destruction in terms of power and will investigate more closely the reasons behind the BDP being so encouraging of such creative destruction.

6.4 Significance of Creative Destruction

Creative destruction is a tricky concept and should not be taken lightly. By allowing for change and the potential disruption that it brings to society or the economy, leaders are effectively putting their position at risk due to the possible upset of the balance of power caused by such an upheaval. This is of course, only a risk if the enterprises entering into the country or the programmes set up to address technological or any other innovation are separate from the ruling party and therefore stand to counter their interests. This section will explore the implications of creative destruction, briefly touching on its significance for power dynamics before delving into the opposition faced by the BDP and what that means for its handling of creative destruction. Subsequently, the section will review the extent to which businesses in Botswana pose a threat to the BDP in terms of their power but will conclude that due to a largely weak opposition and business connections within the party, creative destruction has not posed as great a threat which is why innovation has been so encouraged and creative destruction handled so effectively. Finally, the section will muse over the ability of Botswana's democracy to persist if businesses were to support BDP opposition parties.

It is overwhelmingly evident that Botswana has not feared creative destruction nor the disruption and societal upheaval that innovation and technological advance can provoke, through the multitude of ways in which it has encouraged and, in some instances, aided such advances. While Botswana and its leaders have managed creative destruction extremely well, this thesis need not underestimate the power of creative destruction and the difficulty it has caused for many nations throughout the course of history. Acemoglu and Robinson make the power of creative destruction most apparent through the Industrial Revolution which serves as a prime example of the magnitude and force of change which innovation and technological advancement can induce. Just a few of these consequences being the redundancy of certain jobs, the creation of others and with that, increased power to the masses which began to infringe upon the power enjoyed by elites and even a limitation placed on monarchs. While it led to economic development and growth, it came at a price of a shifting power dynamic within society – one which is hard for certain societal and political groups to manage. These changes, while often beneficial for the country in the long run, cause great challenges for leaders and it

is therefore not difficult to understand why many countries, such as China and Russia, have resisted them.

6.4.1 BDP and Opposition

The BDP has been the majority party in Botswana since independence. Its closest rival has long been the BNF (Botswana National Front) and other more minor opponents such as the BCP (Botswana Congress Party) and the BMD (Botswana Movement for Democracy). The liberal democracy in Botswana has been found to place both “demands and constraints on both government and opposition parties” due to the vision it assigns to society (Molomo, 2000: 68). The first vision is that a level of openness must exist in the democracy in which all parties are given a platform to voice their opinions (Molomo, 2000: 68). These parties include the opposition as well as civil society, however due to Botswana’s relatively weak civil society, opposition parties are required to play an even greater role in addressing issues that would otherwise be undertaken by other state organs (Molomo, 2000: 68). However, the issue with Botswana’s opposition parties is that they are subject to many internal “expulsions, resignation and splits” and have thus had difficulty in forming a strong opposition unit with an alternate vision to the BDP (Molomo, 2000: 68). The second vision of liberal democracy is that it “places the provision of economic goods beyond the political realm and leaves it to market forces” (Molomo, 2000: 68). It is the market which regulates economic activity not the state which essentially takes the blame from the state in the event of less than favourable economic outcomes. Appreciating this as a factor of Botswana’s democracy, it is one of the many reasons the BDP has maintained power despite economic challenges such as poverty and income inequality.

Having discussed some basic factors of Botswana’s democracy and opposition parties, it is important to understand how the BDP has maintained power in the face of opposition. One such tactic undertaken by the BDP was to vocalise the ‘dangers’ of opposition parties taking hold in the country. As far back as the mid-1970s, the BDP and the BNF in particular have spoken against one another with the BDP presenting a negative view of the BNF and going so far as to undermine the party’s legitimacy by insisting that the party was “an insidious threat to democracy” (Molomo, 2000: 69). Indeed, even Seretse Khama has been quoted as saying that the BNF are a “band of social malcontents” who “wanted political power at all costs” without anything to contribute to the country’s development and that any support for the party

is the same as “throwing the country to the wolves” (Molomo, 2000: 70). In response, the BNF leader accused the BDP of having him followed by the “special branch of police” because he “was perceived as an illegal thing” (Molomo, 2000: 70). While this may sound alarming, it is important to note that no evidence has been found for such a claim and that the BNF was a radical organisation and even made statements admitting that they would go so far as to take measures “other than the ballot box to attain state power” (Molomo, 2000: 70). It was believed due to the BNF’s radical nature, Botswana under their rule would be characterised by chaos and lawlessness with citizens living under constant intimidation (Molomo, 2000: 70). As the BNF are yet to take up power, such a statement cannot be substantiated, however, it is likely that much of this belief originated from BDP propaganda.

In addition to warning the public about their biggest opposition - rightly or wrongly so - another way in which the BDP held onto their power was by banning civil servants from running for office. While Botswana allows for free political activity, it does however, place constraints on political participation. Civil servants include teachers, police and army personnel, Tswana chiefs and the bureaucracy (Molomo, 2000: 76). What such a ruling achieves is the exclusion of a large portion of the better educated and eloquent population (Molomo, 2000: 77). This is the group of people with the most potential to stand against the BDP or be recruited by opposition parties to oppose the BDP, so by excluding them, the BDP has furthered the divide between government and state which in turns strengthens the authority of the state.

In spite of the BDP openly criticising their opposition and excluding civil servants from entering into politics, the BDP has always allowed opposition parties to hold events and rally support. In fact, Botswana’s opposition has been hailed as “old by African standards” given that unlike in many African post-colonial countries which banned any opposition outright, Botswana has instead allowed them to exist (Lotshwao, 2011: 103). Of course, merely allowing the existence of opposition does not make a ruling party democratic, but it must also be noted that the BDP have provided sufficient political space for opposition parties to function. The only rule laid down by the BDP in this regard, is that party proceedings and campaigns need to be carried out in accordance with the law – a fair condition which has only ever resulted in fines being imposed at most and no one being criminally charged or thrown into jail for their actions (Molomo, 2000: 77).

In addition, political events of opposition parties are also required to be monitored and recorded. While opposition resist this ruling as they feel it is a form of “undue regulation and intimidation”, the BDP feel that as the ruling government it is their responsibility to ensure that such events do not result in becoming “arenas for abuse, insults and lawlessness” and similarly, recording such events enables opposition to be held accountable for their actions and statements (Molomo, 2000: 77). Despite these measures, the BDP has always allowed for the existence of opposition groups as well as permitting them to rally and hold political events. However, despite being able to exist and rally for support, Botswana’s opposition has long been weak in comparison to the BDP. Indeed, one scholar claimed that the only reason why the BDP has tolerated its opposition is because the opposition has no chance of winning real power (Clapham, 1997: 544). Kenneth Koma, the leader of the BNF, himself has said that government only permits the opposition to prosper because it knows they (the opposition) are weak and government will crush them if they pose too great a threat to their rule (Molomo, 2003: 297). Quite simply, it is not difficult to assume that Botswana’s opposition is weak due to their lack of impact against the BDP in the first nine consecutive elections after independence (Lotshwao, 2011: 103).

There are a number of reasons which have held Botswana’s opposition parties back and serve to provide an explanation for their apparent weakness. The first is a lack of funding. Due to the country’s expansive and in some locations, challenging terrain, parties require substantial funding to reach certain, remote places in order to campaign (Molomo, 2000: 78). Alternatively, this is not a problem for the BDP as they have access to government funds in addition to receiving external funds, often from foreign entities (Molomo, 2000: 78). A further problem experienced by opposition parties is the factions within them and their inability to unify. These factions grew especially problematic in the BNF at the time of the 1998 election when Koma came under fire for being the “supreme ideologist of the party”, for failing to train party members sufficiently and for having “overwhelming authority” which resulted in two growing factions within the party, the socialists and the social democrats (Molomo, 2000: 80-81). Growing factionalism in the party further weakened the BNF as it did in the BDP under Mogae and even more so under Khama. Another issue opposition parties have faced was their inability to unify. In 1999, Botswana’s opposition parties began to consider the possibility of joining forces to increase their power, subsequently forming the Botswana Alliance Movement (BAM) (Molomo, 2000: 83). BAM was formed on the premise of opposition parties coming together in order to take more political control and “transform our society for the better” due

to the BDPs “unwillingness” to address socio-economic issues such as unemployment and poverty (Molomo, 2000: 83). Part of BAM, was the BNF, BPP, Botswana Workers Front (BWF) and a host of Botswana’s smaller opposition parties which collectively decided that instead of a coalition, the parties would retain their individual identity and independence, but would combine their resources and “formulate joint strategies for the attainment of state power” (Molomo, 2000: 83-84). Given that the parties had similar ideologies and policies, it was assumed that the parties would merge to form one formidable force against the BDP, however this was not the case and BAM began to unravel fairly quickly.

The first problem was that BAM was an alliance rather than a merger which meant that it had no real power against the strong-standing BDP and secondly, it was formed within the BNF which came at a great cost to smaller parties who were forced to submit to BNF interests at a cost to their own parties (Molomo, 2000: 84). Similarly, the BNF took a leadership position in BAM, insisting that members from other parties were only delegates whose input was to “be taken as proposals for further discussion” and the internal issues and subsequent splits in the BNF proved too much for BAM, as the party then withdrew from the alliance and BAM fell apart (Molomo, 2000: 84). Were it not for such an unequal balance of power, disrespect for smaller opposition parties and an inclination to form a merger rather than an alliance, it is likely that a formidable opposition may have been formed which would have rivalled the BDP. However, it is because of a weak opposition that the BDP’s power was not threatened and thus, creative destruction comes at little risk to the BDP which is why it has been supported and well managed. This can at least be said for the period prior to 2014 as the party comfortably received over a 50% majority in elections.

6.4.2 BDP and Businesses

The fact that the BDP has been so obliging and accepting of creative destruction in the country, begs the question of whether businesses in Botswana are so closely related to the BDP that they do not pose a threat? If businesses are largely controlled or at least, connected to the state, then they neither threaten the BDP nor jeopardise the power of the BDP through the innovation and creative destruction their practices inspire. This section will analyse the state’s involvement in business and conclude that the vast influence of the state in many areas of business has also aided in the BDP’s support for creative destruction as most of the innovation is at their behest. With regards to business in Botswana, the Botswana Development

Corporation (BDC) plays a significant role. The BDC is in control of industrial, commercial and state development and provides supervision over projects as well as financial provision (Xu, 2018: 44). Essentially, the BDC invests in various ventures by taking on the role as a “fund raising institution and a partner” and was created as a way of diversifying the economy and encouraging development (Xu, 2018: 44). While in theory the BDC is a positive addition to Botswana’s economy, there are a number of issues surrounding its existence and abilities.

Firstly, the BDP is a state-owned corporation which was founded in 1970 and has since been led by a board of members, however, these members are appointed by the Minister of Finance and Development Planning (Xu, 2018: 44). This means that no matter which way one looks at the BDC, there is an unmistakable BDP influence given the close connection of the Minister of Finance and Development Planning. Secondly, the BDC is not particularly skilled or experienced in the manufacturing sector and does not have a “technology basis and management capacity in many mass projects at all” (Xu, 2018: 44). This is one of the reasons, quoted by Xu, which he blames for leading to the unsuccessful alliance between the BDC and the Shanghai Fengyue Glass Company Limited (FYG) which sought to set up a glass factory in Botswana in 2007 (Xu, 2018: 42).

Unfortunately, it is all too often the case that state-owned businesses corporations go hand-in-hand with corrupt practices. And while Botswana is one of the countries on the lowest side of the scale when it comes to corruption, there have been cases of corruption within the BDC. This glass factory case is a prime example as not only did the implementation of the project continue for three years until 2010 due to internal political struggles associated with the split in the BDP due to Ian Khama’s unpopularity (in which previous BDP members formed an opposition party, the Botswana Movement for Democracy (BMD)), but reports about the corruption in the BDC surrounding the glass factory project began to surface (Xu, 2018: 45). Subsequently, due to these negative reports of BDC corruption in the project, local suppliers and departments grew nervous about operating in the project, internal workers became increasingly concerned about the state of their employment and by 2011, the project was disbanded due to “funding shortages” (Xu, 2018: 45). In this example, it was arguably the influence of the state which complicated the establishment of the glass factory and resulted in its failure which perhaps would not have been the case were the FYG to have contracted with a private firm in Botswana.

The Directorate on Corruption and Economic Crime (DCEC) was created to prevent just the above-mentioned problem. The DCEC is an anti-corruption agency founded in 1994 which seeks to eradicate “thefts and frauds perpetuated on the public revenue” (Sebudubudu, 2003: 125). It is important to note that Botswana “has maintained a relatively good record of governance” and has not experienced the kind of corruption that many African countries have experienced (Sebudubudu, 2003: 125). Nevertheless, there have been cases of corruption which have needed to be addressed – the construction of the glass factory being one of them. However, despite the presence of such an agency, the DCEC is government run and is also therefore influenced by internal politics as it is near impossible for any government-led agency not to be impacted by affairs of state (Sebudubudu, 2003: 134). The DCEC is just a further component of the economy in which the BDP is present.

Additionally, the 1982 Presidential Commission on Economic Opportunities has also played a role in furthering the extent of BDP involvement in the economy. Prior to the commission, civil servants and government ministers were forbidden to take part or invest in business sectors except for traditional agriculture (Sebudubudu, 2003: 134). After the establishment of the 1982 commission, civil servants and ministers were now allowed to participate and invest in businesses so long as their interests in such businesses were clearly stated, however, the stating of their interests never seemed to materialise (Sebudubudu, 2003: 134). This led to multiple cases of corruption as civil servants and ministers became shareholders in private companies and formed consortiums. As civil servants had access to confidential information on government policies and projects as well as access to ministers, more consortiums and syndicates began forming in the late 1980s which resulted in policies of bailing out and wiping away debts of the National Development Bank (Sebudubudu, 2003: 134). As has been seen time and time again, it is difficult for corruption not to take place when the state is so closely associated with business.

It is evident that there is a particularly close relationship between the BDP and business enterprises in Botswana. The many commissions such as the Botswana Meat Commission, BDC, DCEC and even civil servants and government ministers have close political and business ties which in many cases has led to corruption. However, more than that, the government of Botswana’s connection to the business sector has enabled the government not to be threatened by potential business prospects as members of the state are usually involved in such practices and projects and are therefore able to ensure favourable outcomes for the

state. While there are private firms and enterprises within the country, the majority of major projects are overseen to an extent by the state which is why the BDP have no need to fear losing their power because they have a hand in such operations. It is far easier to manage and encourage creative destruction when there is no threat of losing power and so perhaps it is this combination of a central authority at independence, inclusive institutions and keeping a finger in various pies in business which has not only secured the BDP's power, but also enabled it to accept creative destruction willingly.

6.4.3 Would Botswana's Democracy Cope if the BDP were to be Ousted from Power?

What would become of the country's democracy if business enterprises in Botswana were to withdraw their support for the BDP and place it in one of their opposition parties? An interesting question with no concrete answer as yet, however, due to Ian Khama's authoritarian tendencies and subsequent split from the BDP, it is a question which might be answered sooner than expected. Indeed, if these authoritarian tendencies are set to continue under President Masisi and a crackdown on industry and personal freedoms persists, then it is a very real possibility that the country's highly hailed democracy may be set to derail even under a BDP ruled Botswana. While this is a possibility, it does however, remain unlikely that the very structure of democracy will be undermined given how deeply entrenched Seretse Khama's ideals of democracy are. In addition to these ideals, it is unlikely that a more authoritarian regime would be conducive to trade and may impact diamond revenue negatively – an impact likely to be avoided at all costs due to the country's reliance on the revenue. Therefore, even if the tendencies of leaders became more authoritarian in nature while the BDP is still in power, it is unlikely that the very democratic structure of the country will be hindered, given the country's dependence on trade and diamond revenue.

Alternatively, if the BDP were not to be in power and an opposition party were to take over, the fate of Botswana's democracy may be in a different position. Some of the BDP's closest rivals, the BNF and the BCP identify with more socialist ideology which may not bode well for Botswana's economic sector. During the years of the cold war, the BNF had an instilled socialist policy, however, after the fall of the Soviet Union, the party amended its policies and assumed a Socialist Democratic Programme (SDP) which accepted the "role of the private sector in economic development in contrast to its earlier position that was based on state centralism" (Molomo, 2000: 71). Prior to the end of the cold war, the BNF was an ardent

supporter of nationalising private property and sharing property and cattle – a thought which was most upsetting to the majority of citizens at the time (Molomo, 2000: 71). Although the BNF now advocate for a degree of free market capitalism, they also believe that the state should equally distribute financial resources (Molomo, 2000: 71). Similarly, the BCP believed in a “broad social democratic movement” insisting that a balance between a free market and state economic involvement should be achieved in order for the state to intervene in the economy and provide economic “redistributive justice and equalising opportunities” (Molomo, 2000: 71).

It would be interesting to see how Botswana’s democracy would stand if businesses were to revoke their support for the BDP and choose to support one of Botswana’s other, more socialist-inclined parties to take power. It also makes one curious as to whether these parties would have a great enough degree of centralised authority to rule as effectively and with the same degree of legitimacy and autonomy as the BDP does, given that they have not had the same foundations as the BDP. Ultimately, Botswana’s democracy is relatively strong and would in theory have sufficient strength to withstand a withdrawal of BDP support by businesses and change in political power. Creative destruction is significant because it can lead to an upset in the balance of power as well as social and economic upheaval which can have a substantial impact on the ruling party. From this section, it is evident that the BDP have been supportive and encouraging of all forms of creative destruction, however, this acceptance and effective management of creative destruction is due to a number of factors.

Due to the majority of opposition parties being weak in nature and unable to unify, they do not pose as great a threat to the BDP’s power which gives them more security in accepting creative destruction as even if it upsets the power balance to a degree, it is unlikely to be significant enough for the BDP to be displaced from power. Secondly, the BDP’s close connection to several major business corporations and commissions, means that they have a degree of control over the innovation and creative destruction which is resulting from investment and new business ventures and thus are not afraid of the potential disruption that could bring seeing as they are involved. However, in the event that businesses were to switch their support from the BDP to an opposition party, it would likely cause upset to the current political atmosphere, but because of the strength of Botswana’s long-entrenched democracy, it is relatively safe to say that its democracy would be able to withstand a change in political power.

6.5 Inclusive Institutions and Creative Destruction

The impact of inclusive institutions on creative destruction is instrumental. Essentially, it is due to inclusive institutions that creative destruction has been managed well in Botswana. This is because the embeddedness of inclusive institutions at the time of Botswana's independence resulted in the country becoming a coherent state with a cohesive central authority which was able to effectively handle the discovery of diamonds and the potential disruption with which such a discovery comes. It was this discovery which was not only potentially destructive in itself, but also had the potential to cause further creative destruction as revenue from diamonds has been used for investment in innovation and technological advancement. But due to inclusive institutions being entrenched in the country, both diamonds and the creative destruction from which diamonds derived, have been effectively managed.

It is also due in part to the degree of centralised authority under which the BDP rose to power at independence. A strong majority that the BDP government has enjoyed since independence has enabled it to be less concerned over holding onto a tight grip of power and more open to empowering citizens with knowledge, skills and economic freedom, because the economic and societal prowess earned by others does not impact the overall power held by Botswana's leaders. Such competent management of creative destruction derives from a history of inclusive political and economic institutions which have created an environment in which citizens are able to better their social and economic status through acquiring skills and hard work. Since inclusive institutions and therefore, this type of culture has always been in place in Botswana, it is possible that creative destruction and innovation does not afford citizens different opportunities to what they already had, which is why leaders are neither resistant nor fearful of the changes creative destruction can incite. Having a weak opposition as well as connections to the business sector also makes the BDP less fearful of the potential upheaval of creative destruction. Given that the country has a long history of supporting and encouraging creative destruction, it is likely that they will continue to accept and manage it effectively, however, this statement is most probably only true of a BDP-led government – there is no saying at this point in time how one of the BDP's opposition parties may handle creative destruction if they were to take office. Thoughts of the future aside, it is vital to acknowledge that there is an undeniable link between inclusive institutions and the management of creative destruction and that due to their effective handling of diamonds and the creative destruction which that brought,

Botswana was able to successfully avoid any resource curse-like symptoms which may have arisen.

6.6 Challenges in Botswana

While creative destruction has been handled in a positive manner and has largely benefited Botswana by way of societal and economic innovation, modernisation and development, it would be erroneous not to provide a comprehensive overview of the country's situation by ignoring that there are issues which the country should urgently be addressing. These are HIV/AIDS, income inequality and unemployment and will be discussed below.

6.6.1 HIV/AIDS

One current issue which has been a challenge for Botswana for a few decades is the prevalence of HIV/AIDS. It is the fourth country in the world most affected by HIV/AIDS, impacting over 20% of the population and despite being the “first country in the region to provide universal free antiretroviral treatment to people living with HIV”, it is acknowledged that this approach is not as effective as it could be (Avert, 2020). Successful antiretroviral provision is overshadowed by a lack of testing and education about HIV as prevention programmes reach only half the number of people who are most at risk and a withdrawal of funding by international patrons jeopardises the programme (Avert, 2020).

HIV/AIDS was a problematic issue for Masire too, as he is widely criticised for failing to adequately address it as well as his inability to implement policies or set measures in place (Green, 2017). While HIV/AIDS is an extremely difficult and sensitive issue to address, it is a known fact that labour and mining migration (which characterises much of Botswana's workforce) are factors with a particularly strong likelihood of spreading ailments such as HIV/AIDS (Green, 2017). With this in mind, it was irresponsible of Masire to remain quiet on this issue. However, despite the difficulty of such an issue, Botswana has put in place two five-year strategies to address the issue in the hopes of ending “the AIDS epidemic as a public health threat by 2030” (UNAIDS, 2019).

6.6.2 Income Inequality

Another challenge which also concerns a lack of discussion is the level of income inequality which still plagues the country to this day (Green, 2017). Despite Botswana's vast diamond wealth, it remains a largely unequal society in terms of income and due to a lack of address and discussion by past presidents, little has changed regarding such inequality up until recently. Despite boasting one of the highest GDP per capita in Africa, Botswana stands as the third most unequal country in the world (The World Bank, 2015a). Botswana's gini-coefficient sits at 60.5% and unfortunately, a great many citizens "live just marginally above the poverty line and are at risk of falling back into poverty" (The World Bank, 2015a).

While these are less than encouraging statistics, the progress that Botswana has made regarding income inequality should not be overlooked. The National Development Plan and government subsidies have significantly tackled the country's poverty, taking the gini-coefficient down from 64.7% and decreasing the poverty rate by 19.4% - 87% of this decrease coming from poverty reduction in rural Botswana (The World Bank, 2015b). Perhaps with discussion as far back as the 1980s, or measures put in place or attempts to diversify the economy and address the issue of inequality, such high levels of income inequality may not characterise the country to this day. However, despite the negative facts, Botswana is still making progress in their fight against inequality.

6.6.3 Diamond Industry and Unemployment

The diamond industry is the largest economic sector in Botswana, yet it contributes the least to employment. This is vastly problematic for Botswana as it has left the country with a significant unemployment rate which in turn has contributed to income inequality. The diamond industry contributes 20% of Botswana's GDP, yet contributes only 5% of the country's employment and alternatively, the agricultural sector contributes less than 5% of GDP, yet contributes to 30% of the country's employment (High Unemployment in Botswana, 2015).

This is because diamond mining is capital-intensive and requires little labour, so no meaningful impact has been made on the employment rate and has therefore not seen substantial growth in employment within the formal economy (Taylor & Mokhawa, 2003: 263). This in turn, has had repercussions on the level of poverty and income inequality within the country as the

unemployment rate has remained high. Despite Botswana's thriving diamond-based economy, the inequality is irrefutable as evidenced by the fact that below a quarter of Botswana's workforce are employed formally, and by the turn of the century, 47% of their population earned below the poverty line (Taylor & Mokhawa, 2003: 263).

There is a disconnect in Botswana between economic growth and employment. This needs to be rectified by focusing on the employment of youth as well as a shift in employment away from low income, low productivity subsistence sectors to high pay and high productivity sectors (High Unemployment in Botswana, 2015). In recent times, the government has sought to implement strategies outlined in the National Development Plan and "Vision 2016" which seek to further employment opportunities (Siphambe, 2007: 12). However, substantial evidence of unemployment reduction is yet to be seen.

It is an incorrect assumption to say that Botswana is without problems, as evidenced by their HIV/AIDS epidemic, high levels of income inequality and unemployment levels. The presidents of the past too dealt with challenges such as droughts and poverty alleviation to name a few and perhaps the effective manner in which they were able to deal with those challenges was a result of sufficient centralised authority and inclusive institutions. But it must also be acknowledged that problems being faced in contemporary Botswana are not new phenomena, but rather issues that post-colonial leaders too, struggled to contend with. It therefore would be incorrect to assume that inclusive institutions and centralised authority were the only factors necessary to manage conflicts and that contemporary leaders in Botswana, despite a lack of completely centralised authority and totally inclusive institutions are trying to tackle them as best they can as seen by the multiple policies and programmes which have been adopted to address such issues. This is not to say that a centralised authority and inclusive institutions are not vital aspects for the efficient and successful functioning of society, but only that they are less important when it comes to addressing conflicts.

The above challenges which the country has faced for the last few decades are not unique to Botswana and by nature, are extremely difficult to resolve which could take years if not decades to completely eradicate. In spite of these issues, it is important to observe Botswana from a bigger picture and recognise that while it is not a perfect country, it has many exceptional qualities which have made it the stable, democratic, economically flourishing country that it is today. The discovery of diamonds has been handled remarkably well and has led to much

economic growth and development and despite these problems, Botswana has been largely successful, has not experienced any resource curse-like symptoms and has relatively few other issues.

6.7 Conclusion

Due to the significant degree of state centralisation and embedded inclusive institutions by way of rules and property rights, foundations were laid for the emergence of a strong, coherent authority in the form of the BDP. It is due to the BDP's legitimacy, strength and central command that they were able to effectively handle the discovery of diamonds and the revenue which accrued from them. This revenue as well as the coherent nature of the state and historical inclination to encourage creative destruction resulted in Botswana's investment of diamond revenue in ICT, knowledge innovation, SMEs, infrastructure and social development programmes – all of which could have had the potential to cause social and economic upheaval. However, the results of such innovation and investment in infrastructure and development has not been negative nor has it disrupted sectors within Botswana. This is due to the embedded inclusive institutions and effective management of such creative destruction by the BDP which was in a good position for such management largely due to their degree of centralised authority, enabling them to be secure in their power and therefore not threatened by creative destruction. In addition, it must be acknowledged that while their centralised autonomy plays a significant role, they too have ensured that BDP members are closely associated to businesses and economic commissions in the country which coupled with a weak opposition, has placed them in a favourable position, able to control the direction of creative destruction as well as not having their position of power threatened by it. This being said, the BDP have slowly begun to lose their outright majority in recent years, which means that this security in their power may not prevail for decades to come which may pose a threat to Botswana's acceptance and handling of creative destruction in the future. Ultimately, the cohesion of the state coupled with inclusive institutions enabled diamonds to be managed successfully, avoiding a resource curse which has in turn led to diamond income being used effectively and to the benefit of Botswana which has strengthened the state.

Conclusion

7.1 Introduction

Few would refute that Botswana is the “sparkling diamond” of Africa and that the country’s diamond resources have been a blessing rather than a curse. This thesis has sought to explore how Botswana was able to escape the clutches of the resource curse, highlighting a number of factors which existed at the time of independence which ultimately enabled for stable BDP rule and effective management of the discovery of diamonds. This chapter will outline the aim and objectives of this research, followed by the findings in relation to the resource curse literature, the reflections and importance of such a study and lastly, areas for future research on Botswana and the resource curse.

7.2 Aims and Objectives

7.2.1 Aim

The resource curse has dominated resource literature for the last four decades and has cast a negative shadow over the effect of resources on resource-abundant countries. This thesis therefore considered a case study which contrasts such a stance and sought to determine the reasons why Botswana escaped a potential resource curse. To achieve this, research has been conducted over three periods in Botswana – pre-colonial, colonial and post-colonial – analysing how the pre-colonial institutions and ethnic Tswana structures survived due to limited colonial influence and consequently laid the foundations for a central authority to emerge at independence with inclusive institutions, able to handle the discovery of diamonds effectively.

7.2.2 Objectives

7.2.2.1 Objective 1: Determine if Botswana has Inclusive or Extractive Institutions

The quality or nature of a country’s institutions is a good indicator of how a country will manage resources and their discovery. In order to determine this, the thesis examined two

factors: Botswana's degree of state centralisation and the enforcement of rules and property rights in Botswana.

7.2.2.1.1 Is Botswana a Centralised State?

State centralisation follows Acemoglu and Robinson's definition, referring to the capacity of the state to effectively penetrate society and enforce rules and laws without having significant rivals to challenge their authority. As has been highlighted, according to Acemoglu and Robinson's description of inclusive institutions, state centralisation is a vital aspect as institutions cannot be fully inclusive without this factor. It is therefore imperative that the degree of state centralisation was explored in Botswana.

After examining the three periods of Botswana's recent history, it was discovered that there was a significant degree of state centralisation in each. In the pre-colonial period, tribes were centred around a chief who had overarching authority, exerting control over rules and property rights, presided over the kgotla and managed tribal affairs. This sort of state centralisation was respected and entrenched in the culture of the Tswana which is why such a power dynamic was able to withstand colonial rule. Indeed, colonial rule saw the introduction of British authorities into the territory, yet the role of chiefs remained in place and altered only by way of chiefs now having to work under such authorities, implementing various policies such as hut and native taxes. Due to the persistence of the core structure of chiefs and villagers, in addition to the embeddedness of such a structure in Tswana culture, the BDP was able to emerge at independence under the leadership of Seretse Khama (who had a great sense of legitimacy due to his Bamangwato chiefdom lineage) as a centralised authority.

Botswana's position as a centralised state has been somewhat compromised in recent years by the BDP losing their outright majority, however, BDP opposition remains relatively weak in comparison and the BDP's actions to separate government and state by way of inhibiting civil servants running for office has ensured that power is centralised in the BDP and that they continue to possess the ability to effectively penetrate the state.

7.2.2.1.2 Does Botswana Enforce the Rule of Law and Property Rights?

Following Acemoglu and Robinson's arguments, it is impossible for a country to have inclusive institutions without enforcing rule of law and property rights. After examining the three periods in Botswana's history, it is evident that rules and property rights have not only been embedded in their history and culture but continue to be enforced today. In the pre-colonial period the chief decided on justice and ruled over the kgotla, implementing judgement where necessary – his ruling having ultimate authority due to his legitimate centralised power. While land was communal, secure property rights extended so far as houses and cattle and later expanded to wells and boreholes. The enforcement of property rights encouraged inter-tribal and international trade leading to an advanced cash economy. While social and economic life changed dramatically in the colonial period due to migration, urbanisation and employment opportunities in neighbouring South Africa, the enforcement of rules and property rights remained untouched which is why Botswana emerged at independence with more inclusive institutions.

Since independence, Botswana has had a strong constitution and legal system and has been able to enforce policies with more than enough authority. Likewise, property rights have continued to be enforced and economic participation and activities have been incentivised as evidenced by Botswana's trade and industry

7.2.2.2 Objective 2: How Has Botswana Dealt with the Discovery of Diamonds and the Creative Destruction Which it Brought?

This thesis found that the significant degree of state centralisation with which the BDP was able to emerge at independence combined with the inclusive institutions that are entrenched in Tswana culture, survived the colonial period and emerged at independence to lay the foundations for the successful rise of the BDP, enabling the party to manage the discovery of diamonds which took place shortly after they came to power.

A number of actions taken by the BDP in relation to diamonds indicate that diamonds were handled effectively. The first was the implementation of sub-soil mineral rights which altered the law stating that the tribal land within which resources were discovered entitled that tribe to ownership of those resources. This was changed and ensured that no one tribe had ownership

of resources, but rather that all resources in Botswana belonged to the state. Additionally, the BDP decided to partner with De Beers as they were more knowledgeable on diamond resources and aided substantially in the building up of the diamond sector. The BDP also decided that diamond revenue was to be used for further investment in and development of infrastructure in the country which has been of significant benefit for all citizens.

However, with this investment and development comes the potential and risk for creative destruction. Creative destruction or a societal or economic upheaval could have taken place in response to this investment or the building up of SMEs, knowledge and innovation and technological advancement which has occurred in recent years but because the BDP has handled it effectively, little disruption has been experienced.

Overall, diamonds have allowed Botswana to diversify their economy by way of creating demand for infrastructure development and improvement, manufacturing, knowledge production, broadening the technological sector and introduction into various business sectors through a multitude of SMEs. While these sectors have diversified Botswana's economy to an extent, it can also be argued that they have not diversified it to a significant enough degree because diamonds have remained Botswana's biggest economic sector and there is still a high level of unemployment. However, with a diamond sector as large as Botswana's, it is difficult for any other sector to rival it.

7.2.2.3 Objective 3: In What Way is it Evident that Botswana Escaped the Resource Curse?

It is evident that Botswana has escaped the resource curse by way of several factors. Some such factors include the contribution of diamond revenue to vast increases in GDP, the infrastructure and development as mentioned above which has particularly improved public infrastructure, schools, access to healthcare and drinking water. Furthermore, Botswana has low levels of corruption and little elite involvement in the diamond sector as well as stability – for which it is well-known – and democracy. Lastly, the country is peaceful, without conflict and has inclusive political and economic institutions. All of these factors are not characteristic of countries who suffer from the resource curse and are frankly, quite the opposite which demonstrates that Botswana has escaped the resource curse.

Undeniably, Botswana does face challenges such as widespread HIV/AIDS, income inequality and poverty. While some of these challenges are typically associated with the resource curse, these issues are not a direct result of having diamonds. It could be argued that an undiversified economy could be linked to the large scale of the diamond industry, however, much of Botswana is arid land and the country is nowhere near as rich in other minerals as it is in diamonds, so even if they did not have diamonds, it is unlikely that their economy would be diversified. Poverty, income inequality and the HIV/AIDS epidemic are not a result of diamonds and would potentially be even worse were it not for diamonds and the revenue which allows Botswana to attempt to solve such issues.

7.3 Findings in Relation to the Literature

7.3.1 How the Findings Relate to Pre-1980s Discourse

These findings are more in line with pre-1980s resource discourse which views resources as being a blessing for the country. Using examples such as the US, UK or Australia, it is evident that resources have benefited those countries leading to growth, development and prosperity. Although using these country cases, which also have relatively strong institutions, confirms the institutional approach which came later in resource curse literature. This thesis has found diamonds to have the same, beneficial impact in Botswana as seen by GDP growth, infrastructural development, trade and investment and similarly to pre-1980s discourse, is a blessing.

7.3.2 Botswana Defies Post-1980s Discourse

In relation to the aforementioned point, by Botswana's resources being a blessing, they contrast the now commonly held, post-1980s resource discourse which states that resources have negative impacts such as poverty, corruption, conflict, mismanagement of industry and the Dutch Disease. As this thesis has shown, Botswana stands in stark contrast to such a theory. However, this is not to dispute the resource curse as invalid, but rather to acknowledge that the resource curse is circumstantial and that due to a number of unique factors in Botswana, it has not experienced the resource curse. These factors include limited colonial rule which meant Botswana was able to avoid inheriting extractive institutions, the fact that diamonds were

discovered after independence, the Tswana are largely homogenous and the type of diamonds that Botswana has are fortunate as they do not lend themselves to looting.

7.3.3 Resources Lead to Poor Economic Performance

One of the main three reasons as to why resources are negative is because it is believed and has been observed to result in low economic performance. This is linked to looting, mismanagement and corruption which tends to come with countries abundant in resources. However, in Botswana this is not the case and diamonds have undeniably benefited their economy, as evidenced by exponential economic development, GDP growth, increased exports and investment which has been able to take place due to diamond revenue.

7.3.4 Resources Lead to Conflict

Resource curse literature agrees that in many cases, resource-abundant countries are more likely to experience conflict and civil war as a result of their resources. Again, Botswana contradicts such literature, however, this is due to its unique factors such as the type of diamonds not lending themselves to looting and the largely ethnically homogenous tribes of Botswana which have many similarities such as language and religion and have not seen one another as a source for conflict.

7.3.5 Resources Lead to Political Instability and a Tendency Toward Authoritarianism

A substantial portion of resource curse literature considers the negative impact of resources on political stability and a tendency away from democracy. This is because resources raise the value of being in power which translates into leaders doing everything possible to hold onto their authority, leading to corruption, underhanded politics and illegal obliteration of opposition which are authoritarian practices which cause political instability. This has however, not been the case in Botswana, as leaders such as Seretse Khama and those who succeeded him have a deep-seated appreciation for democracy and have not used diamond revenue for their own personal gain, evidenced too by Botswana's elite's lack of involvement in the sector. This upholding of democratic values comes from the emergence of a central authority at independence and an embedded sense of enforcing such authority of the Tswana culture from the pre-colonial period.

It must be acknowledged that democratic practices have waned slightly in the most recent period, however, this is not due to diamonds, as if it were because of diamonds, it would have taken place decades earlier.

7.3.6 A Modern Notion of the Resource Curse

The resource curse in modern literature has come to encompass any and all negative aspects that result from a country having resources. Although Botswana's economy could be more diversified, and the diamond industry does not create much employment, diamonds have ultimately benefited the country as there is no other industry significant enough to take attention away from diamond mining in any case. Subsequently, Botswana's other biggest issue – HIV/AIDS – is not a direct cause from diamonds and cannot be attributed as such. Effectively, Botswana's benefit from diamonds has far outweighed the challenge of an undiversified economy, which in any case, cannot be credited to diamonds alone. Not only does Botswana dispute 1980s resource curse discourse, but also modern literature on resource curse theory.

7.3.7 Resources and Institutions

These findings on Botswana align far more closely with an alternate school of work on resource curse theory – the “institutions curse” as outlined by Menaldo. Scholars of institutions curse theory argue that it is the nature or quality of a country's institutions which determine whether or not resources in that country will have a positive or negative effect and not purely the existence of the resources themselves (Menaldo, 2016). This thesis finds that Botswana complements this field of literature as it is due to good, inclusive institutions as evidenced by a centralised authority and the enforcement of rules and property rights which established a situation in which the BDP could manage diamonds well, thereby avoiding the resource curse.

7.3.8 Final Remarks

These findings on Botswana complement pre-1980s resource literature, while contrasting the commonly held view of resources post-1980. However, while these findings do not dispute such literature, they indicate that due to Botswana's unique circumstances, it was in a very

different position to the majority of other resource-abundant countries which have fallen victim to the resource curse. Alternatively, these findings complement another field of resource curse literature, the institutions curse.

7.4 Reflections and Importance of Study

7.4.1 These Findings Dispel the Resource Curse as the “Common” Thought

While these findings do not dispute that the resource curse exists and is a very real and damaging reality for a multitude of resource-abundant countries, it does dispel the notion that it is always a resource curse which is afflicting a resource-abundant country. Botswana therefore rivals the notion that any country with resources will fall victim to the resource curse as the fate of a resource-abundant country lies in its particular circumstances as these findings have indicated. Although these circumstances can be classified as unique, Botswana is not the only country to escape the resource curse, it is more simply that Botswana’s circumstances are unique in comparison to the majority of resource-abundant countries, especially in Africa. Another case with similarities to Botswana is Ghana, which is also hailed for its economic prosperity in West Africa and is similar by way of also being a former British territory and having resources of gold and diamonds. Where Ghana is different, is in the timing of their resource discovery, as it took place long before independence in the late nineteenth century. While, Ghana does not have the exact same circumstances as Botswana, it is testament to the fact that resources do not always result in a curse and even though a great many resource-abundant countries, unfortunately do, the notion that resources are harmful should not always be the common notion when analysing a resource-rich country.

7.4.2 These Findings Give Support to Institutional Theory

These findings may force scholars to focus more on the possibility of the negative impacts of resources being an institutions curse rather than a resource curse and may prompt future scholars into exploring this possibility in far more depth which could have an important impact on the future of resource curse literature and study. This may also bring further focus on institutions in general as these findings have attempted to highlight the importance of inclusive institutions in all aspects of a country, not only in relation to resources. This may result in

scholars examining and emphasising the importance of institutions which may translate into countries giving them more attention than they do currently.

7.4.3 These Finding are Important Because Botswana is at a Turning Point

This thesis has indicated that Botswana began to change from the time that Ian Khama succeeded Mogae as president and not a change for the better as seen by increases in factionalism, a strengthened opposition and authoritarian tendencies. Botswana is currently a democracy, however there are authoritarian-like tendencies which have begun to creep in. Therefore, if the factors of Botswana's success can be highlighted and if Botswana can recognise the importance of institutions and democracy in its success, then it still has time to prevent authoritarianism from taking hold any further, thereby preventing any potential resource curse symptoms in the future.

7.5 Areas for Future Research

7.5.1 Investigate Other Countries Which Escaped the Resource Curse

Future research could analyse the institutions of other resource-abundant countries such as Ghana or Canada which have successfully avoided the resource curse in order to identify any different or further factors which have contributed to such an outcome. This could help scholars pinpoint an even more focused list of factors or circumstances which enable countries to escape the resource curse.

7.5.2 Further Research Contemporary Botswana

Future research could evaluate contemporary Botswana, examining the extent to which Masisi's rule is democratic, analysing the impact of his rule on institutions and the effect he has on either further cementing democracy or authoritarian tendencies and ultimately determine the impact this has on Botswana's diamond industry.

7.5.3 Investigate Why Tswana Institutions Were So Inclusive

Future research could also focus on why Tswana institutions were so much more inclusive than the political and economic institutions of other African tribes, such as the Zulu for example. A comparative analysis of tribal institutions and current institutions of African countries may provide a strong contribution to institutions literature.

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